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OFFICE OF FINANCIAL MANAGEMENT

STATE OF WASHINGTON

OPERATING BUDGET INSTRUCTIONS, PART 2

Decision Packages and Other Submittal Requirements

2005-07 BIENNIUM

BUDGET DIVISION
OFM DIRECTIVE 04B-01
APRIL 2004

ELECTRONIC ACCESS TO BUDGET INSTRUCTIONS

Information contained in this document is located at: http://www.ofm.wa.gov/budget.htm

OFM STAFF ASSISTANCE

Contact your agency's assigned budget analyst for assistance. Assignments, phone numbers, and e-mail addresses for OFM budget analysts are available at http://www.ofm.wa.gov/assign/assign4.htm

To accommodate persons with disabilities, this document is available in alternative formats and can be obtained by contacting the Office of Financial Management at (360) 902-0557 or TDD (360) 902-0679.

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2005-07 OPERATING BUDGET INSTRUCTIONS PART 2
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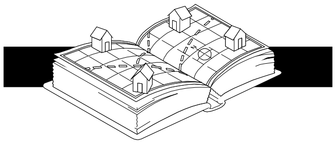
About the Instructions



The 2005-07 budget instructions are organized in two parts

The 2005-07 budget instructions have been issued in two parts.

Part 1: Strategic planning and performance measure instructions
(*issued November 4, 2003)*
Part 2: Budget request instructions

We hope that this approach better supports the budget preparation needs of agencies, the Legislature, and OFM and that it enables us to make better use of the planning and performance information we need in evaluating budget proposals.

What is in the Part 2 instructions?

Part 2 of the 2005-07 budget instructions includes guidance on:

- Budget request basics – submittal components and format requirements,
- Producing decision package and Recommendation Summary documents,
- Items to include in carry-forward, maintenance, and performance levels,
- Allocating maintenance level subtotals and performance level decision packages to activities,
- Performance measure and activity description submittal requirements,
- Linking operating and capital budgets,
- Maintenance level, revenue and other coding requirements,
- Technology portfolios, and
- Developing good cost estimates.

Look for the ☒ sign to find items required for submittal

We have used this symbol to help you find budget submittal requirements quickly.

Timeline of major budget events in the current year

For general planning purposes, here is a timeline of the major budget events in preparation of the Governor's budget.

April 2004	2005-07 OFM Budget Instructions Part 2 issued Activity Inventory updated for the 2004 Supplemental Budget Priorities of Government (POG) Results Teams convene Budget Development System available for 2005-07 budget development
May	Strategic Plans due on May 3 Results Teams recommend high-level purchase strategies Possible additional budget guidance sent to agencies
June	Compensation detail updated in the Compensation Impact Model
August-September 1	Agency budgets due
August-November	OFM and Governor’s budget review
September	Results Teams reconvene Second-year estimate review due on September 30
Early November	Results Teams make purchase plan recommendations
November-Early December	Final budget decisions

Look for the NEW! sign for new items.

We have used this symbol to flag requirements or tools that are new or changed from the instructions from last biennium. New in the instructions:

- **The Priorities of Government framework will be better integrated with the budget development process.** This year, OFM will convene teams of subject-matter experts around each of the 11 statewide results. The teams will be charged with recommending strategies and activity purchase plans that can best achieve results for citizens. (See Section 1.1.)

- **Agency budgets will now be developed by activity.** We have modified the agency and OFM budget development systems to enable the budget to be developed by activity as well as by increment. These systems now contain activity inventory description information that is linked to the budget database. Agencies must allocate the maintenance level subtotal and each performance level decision package to activities. (See Section 2.)

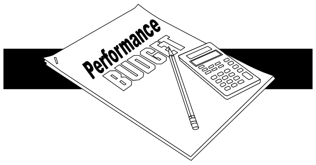
- **Agencies will not be required to submit compensation base information (B6) with the budget this year**. (See Section 7.)
- **Agencies will enter performance measure estimates into the new activity budgeting system.** Performance measures must now be linked to agency activities. Each activity must have at least one performance measure or a statement of expected results. (See Section 9.)
- **Agencies will review and confirm second-year expenditure estimates developed by OFM.** (See Section 13.6.)

SECTION 1

Budget Request Basics

This section describes the basic approach to, and the key elements of, the operating budget submittal.

1.1 The strategic framework for budget decisions



The 2003-05 budget process created a new strategic framework

The Priorities of Government (POG) approach for developing the 2003-05 budget created a strategic framework for Washington State government. It starts with several basic questions:

- What are the results that citizens expect from government?
- What strategies are most effective in achieving those results?
- Given the money available, which activities should we buy to implement those strategies?
- How will we measure progress?

This approach proved effective in helping budget decision makers better understand the activities, costs, and outcomes of state government from the view of the entire enterprise. We will continue to use this results-based framework for the 2005-07 budget development process.

Statewide results that citizens most expect

For the 2005-07 budget development effort, the POG process begins with 11 critical statewide results that citizens expect from government.

Statewide Results
1. Improve student achievement in elementary, middle and high schools
2. Improve the quality and productivity of the workforce
3. Improve the value of a state college or university education
4. Improve the health of Washington citizens
5. Improve the security of Washington's vulnerable children and adults
6. Improve the economic vitality of businesses and individuals
7. Improve statewide mobility of people, goods, information and energy
8. Improve the safety of people and property
9. Improve the quality of Washington's natural resources
10. Improve cultural and recreational opportunities throughout the state
11. Improve the ability of state government to achieve results efficiently and effectively

You can find data on key high-level indicators of success for each result area on the Priorities of Government page on OFM's website at http://www.ofm.wa.gov/budget/pog/overview.htm.

The best budget proposals link investments to results

The budget is one of the most important tools for implementing policy and achieving results. In its review of agency budget requests, OFM will ask these key questions:

- What are the most effective strategies and activities in which to invest to achieve agency and statewide results?
- How do we know we are purchasing these activities at the best possible price?
- Given financial or other constraints, how can we maximize the results that citizens want?

The agency strategic plan, activity descriptions, and decision package information should all play key roles in answering these questions. The best budget proposals are persuasive not only at the agency level, but also within the broader statewide context that OFM and the Legislature must consider in making decisions. Proposals that make the strongest case will be those that can discuss the value and benefits of the outcomes they intend to deliver to achieve statewide results.

Results Teams will provide an enterprise perspective on the strategies that achieve results

This year, OFM will convene teams of experts around each of the 11 statewide results. These "results teams" will be charged with recommending strategies and activities that can best achieve results for citizens. OFM will ask members to approach their work with a citizen perspective, rather than as an agency representative. By looking at the activities of agencies in the context of statewide results, the teams will offer an important enterprise-wide view to the budget development process.

The work of the Results Teams will be integrated into the budget development cycle

In 2002, the results teams met in the fall, and therefore, their priority and strategy recommendations were not available in time to influence the development of agency budget proposals. This year, we hope to better integrate the work of the teams into the rest of the budget development process. By asking the teams to begin analysis in the spring, agencies will have an opportunity to address team recommendations in their budget proposals. Here is a summary of the expected schedule and assignments for the results teams.

April - May

Results Teams will convene to:

- Confirm key indicators of success for the result
- Re-evaluate existing maps of the factors that influence or drive the result
- Review and evaluate strategies adopted for the 2003-05 Biennium
- Review performance progress and identify potential opportunities to improve outcomes or achieve them more efficiently
- Recommend high-level purchase strategies and other guidance

Agency strategic plans received by May 3 will be distributed for team use during this time.

End of May

OFM sends possible additional budget guidance to agencies based on Result Team recommendations.

August -September

Agencies submit budgets, activity descriptions and performance estimates.

Mid September – early November

Results Teams convene to recommend prioritized purchase plans that maximize results to citizens.

November – early December

Final budget decisions made on Governor Locke's budget.

Visit OFM's website for information about Priorities of Government (POG)

You can find more information about Priorities of Government at OFM's website at http://www.ofm.wa.gov/budget/pog/overview.htm.

1.2 Where to find fiscal context information for the 2005-07 budget

OFM's website offers updated fiscal context information

You can find updated fiscal context information on OFM's website at http://www.ofm.wa.gov/budget/05-07fiscalcontext.pdf. This document provides an overview of revenue and caseload forecasts and their implications for the 2005-07 budget, as well as links to a six-year fiscal outlook prepared by OFM. The Part 1 Budget Instructions also discussed budget considerations related to Initiative 601 and the state debt limit. You can find additional population, revenue, and caseload forecast information at these websites:

http://www.cfc.wa.gov/ (Caseload Forecast Council), http://www.erfc.wa.gov/home.htm (Economic and Revenue Forecast Council), and http://www.ofm.wa.gov/forecasting/sitemap.htm (OFM).

1.3 How is a budget request organized?

Recommendation Summary format summarizes the budget

Budget requests are summarized in a step-table format referred to as the “Recommendation Summary.” The Recommendation Summary begins with current biennium legislative spending authority and lists significant incremental changes to arrive at the agency’s 2005-07 request. Ideally, each single line on the Recommendation Summary should represent a single budget policy decision.

Decision packages are one set of budget building blocks

Agencies must describe and support each requested incremental change to the current budget with a decision package. Decision packages are the place for agencies to make a persuasive case for their requested budget changes.

The Budget Development System (BDS) assists agencies in developing the budget decision packages and produces the resulting Recommendation Summary report.

Major budget categories help to organize the request

The incremental steps in the Recommendation Summary are grouped to help OFM and legislative fiscal staff analyze certain categories of expenditure changes from the current biennium level.

Carry-forward

Carry-Forward Level – How much of the budget proposal is the biennialized cost of continuing the workload or services already authorized through legislative budget decisions? OFM, in consultation with agency and legislative staff, determines the carry-forward level and communicates the dollar amount to agencies as soon as possible after the 2004 supplemental budget is enacted. Section 5 discusses carry-forward calculations in more detail.

Maintenance

Maintenance Level – How much of the budget proposal is the cost of additional mandatory caseload, enrollment, inflation, and other legally unavoidable costs not contemplated in the current budget? Maintenance level changes to budgeted, nonappropriated funds are also listed in this category. Section 5 discusses this category in more detail.

Policy and performance

Policy and Performance Changes – What other expenditure change proposals are contained in the agency request budget? These options may represent significant changes in discretionary workload, the nature and scope of services, or alternative strategies and outcomes. Section 6 discusses this category in more detail.

The activity inventory provides another important set of budget building blocks

While the decision packages show the incremental changes to the agency budget, the activity inventory describes what the agency does. What are the activities of the agency? What does it cost to perform them? What are the products and outcomes of each? What is the connection between the outcomes of those activities and the desired statewide results?

Agencies also will present the budget by activity

NEW!

This year, agencies will prepare and submit an activity view of the budget in addition to the traditional decision package orientation. The Budget Development System has been modified to support this requirement and to include activity description and performance measure information in the budget database. Section 2 discusses the activity inventory and activity budget requirements in more detail.

Additional supporting information is needed for the request

In addition to the decision packages, Recommendation Summary report, and activity inventory, the budget submittal includes other information OFM needs to analyze the budget request:

- Agency performance measures and the Performance Measure Incremental Estimates report (Part 1, Section 2 and Part 2, Section 9),
- Agency revenue and working capital reports (Section 8), and
- Other special reports (refer to Section 13 to see which reports apply to your agency).

Agency strategic plans, due to OFM on May 3, are also critical to budget analysis. See Part 1, Section 1 for complete information on Strategic Plan submittal requirements.

Some agencies provide budget data at the program level

Although OFM reviews most recommendation summaries at the agency/decision package level, we do ask for some program detail from agencies. For the agencies listed below that are appropriated at program (or lower) level, we request that program level recommendation summaries be included with the agency request.

225	Washington State Patrol
240	Department of Licensing
300	Department of Social and Health Services – program level, except the following submitted at category level: • Juvenile Rehabilitation • Mental Health • Developmental Disabilities
305	Department of Veterans Affairs
310	Department of Corrections
343	Higher Education Coordinating Board

350	Superintendent of Public Instruction
405	Department of Transportation
406	County Road Administration Board
407	Transportation Improvement Board

All other agencies need only submit the Agency Budget Levels by Program report. See Section 3 for information about this report.

1.4 What are the submittal requirements?

What are the required components of the budget submittal?

The chart below shows the required components of the budget submittal and the way the material should be organized in the notebooks submitted to OFM.

For budget submittal definitions and requirements by statute, refer to RCW 43.88.020, 43.88.030, 43.88.032-060, 43.88.090, and 43.88.120.

Required Budget Submittal Components

TAB A

- ☐ Agency Organization Chart
- ☐ Agency Activity Inventory Report *BDS report (Section 2 and Section 9.1)*
- ☐ Performance Measure Incremental Estimates Report *BDS report (Section 9.2)*
- ☐ Indirect Cost Allocation to Activities Description *(Section 2.4)*
- ☐ Business Plans - Part 2 *– only for accounts and agencies listed in Part 1, Section 2.2*

TAB B

- ☐ Recommendation Summary at Agency Level *BDS report (Section 3)*
- ☐ Recommendation Summary at Program Level *BDS report (Section 3) – only for agencies listed in Section 1.3*
- ☐ Agency Budget Levels by Program *BDS report (Section 3) – for all multi-program agencies*

TAB C

- ☐ Decision Package Summary *BDS report (Section 4)*
- ☐ Individual Decision Packages* *BDS entry form and report (Section 4)*

TAB D

- ☐ Agency Revenues (B9) *BDS report (Section 8)*
- ☐ Working Capital Reserve (B9-1) *By Fund Administrators – BDS entry form and report (Section 8)*
- ☐ Fund Summary by Fund Administrators *(Section 8)*
- ☐ Revenue Transfer Reconciliation Statement *(Section 8)*
- ☐ Federal Fund Estimates/State Match *OFM template (Section 13.1)*
- ☐ Non-Budgeted Local Fund Summary (B10) *OFM template (Section 13.2)*
- ☐ Puget Sound Action Team Work Plan Expenditures *(Section 13.5)*
- ☐ JLARC Audit Responses *(Section 1.5)*

- ☐ Copy of each decision package that includes IT investments*: *submit to DIS (Section 11.1)*
- ☐ Six-Year Transportation Agency Program/Financial Plan: *submit to DOT or Fund Administrator (Section 13.4)*
- ☐ Updated agency descriptions: *return completed template to Laurie Lien at Laurie.Lien@ofm.wa.gov*

* Please refer to the checklist in Section 11.1 for the full list of items to be included with information technology project-related decision packages.

How many copies must we submit?

With the exceptions below, each agency should submit five complete copies of its operating budget document to OFM. Three of these copies are retained by OFM, one is sent to the Senate Ways and Means Committee, and one is sent to the House Appropriations Committee.

Higher education requirements

Higher education institutions should submit two additional complete copies, for a total of seven copies. OFM will forward one to the Higher Education Coordinating Board and one to the Council of Presidents' Office.

Transportation-funded agency requirements

Transportation agencies, the Utilities and Transportation Commission, State Parks and Recreation Commission, Department of Agriculture, LEAP, and State Auditor should submit two additional complete copies for a total of seven copies. OFM will forward one to the House Transportation Committee and one to the Senate Highways and Transportation Committee.

How many copies of the Strategic Plan must be submitted to OFM by May 3?

Please submit at least five copies of the agency strategic plan, and either one electronic version of the plan (preferred), or two additional hard-copy plans (for a total of seven.) The plan is due on May 3.

What are the format requirements?

- Number all pages.
- Reduce oversized materials by photocopier whenever possible.
- Three-hole punch all material and assemble each copy of the budget in a standard size notebook supplied by the agency.
- Organize and tab the material as shown above.

What is the submittal address?

Operations Section, Budget Division
Office of Financial Management
300 Insurance Building
Post Office Box 43113
Olympia, Washington 98504-3113

1.5 Other general preparation requirements

What are the rounding protocols?

- Round all expenditure and revenue amounts to whole dollars except in the case of individual claims (legal judgments, Local Improvement District assessments, etc.) that must be reported exactly. Round fractions of dollars from $.01 through $.49 to the next lower whole dollar, and $.50 through $.99 to the next higher whole dollar.
- Omit dollar signs ($) except where necessary to distinguish dollars from other numbers.
- Round FTE amounts to the nearest tenth.

How do we display negative numbers?

Use parentheses to indicate numbers reflecting expenditure decreases.

Required fund code conventions for budget documents

With few exceptions, use the state accounting system coding scheme for account numbers and other designations used in the budget documents. Fund codes require both the account number and the appropriation type code that indicates the source character of the funds involved. Separate the one-digit appropriation type from the three-digit account number with a hyphen as shown in the table below.

General Fund

The following fund sources, where applicable, must be identified separately:

001-1	General Fund-State. Include applicable compensation adjustment allocations. Appropriation Type 1.
001-2	General Fund-Federal. Include applicable compensation adjustment allocations. Appropriation Type 2.
001-3	General Fund-Federal Unanticipated. Combine all federal unanticipated receipts and show one total. Appropriation Type 3.
001-4	General Fund-Governor's Emergency Allocation. (Appropriations 611 and 612) Appropriation Type 4.
001-5	General Fund-Other Federal Fixed Grants (DSHS and Department of Health only). Include applicable compensation adjustment allocations. Appropriation Type 5.
001-7	General Fund-Private/Local. Appropriation Type 7.
001-9	General Fund-Private/Local Unanticipated. Appropriation Type 9.
001-0	General Fund-Federal: Social Services Block Grant–Title XX (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type 0.
001-A	General Fund-Federal: Family Support/Child Welfare–Title IV (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type A.

001-C	General Fund-Federal: Medicaid–Title XIX. Include applicable compensation adjustment allocations. Appropriation Type C.
001-D	General Fund-Federal: Temporary Assistance for Needy Families (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type D.
001-E	General Fund-Federal: Child Care Development Funds (DSHS only). Include applicable compensation adjustment allocations. Appropriation Type E.

Motor Vehicle Account

108-T	Motor Vehicle Account Bonded Projects: (DOT only). Use to identify bonded transportation projects. Appropriation Type T.

Other Appropriated Treasury Funds

Identify other appropriated treasury funds by the following appropriation types:

State:	Appropriation Type 1
Federal:	Appropriation Type 2
Federal Unanticipated:	Appropriation Type 3
Private/Local:	Appropriation Type 7
Private/Local Unanticipated:	Appropriation Type 9

Nonappropriated Funds

All nonappropriated funds, regardless of original source of funding, must use Appropriation Type 6.

Departmental request legislation with a budget impact is due with the budget request

Departmental request legislation proposals with a budget impact must be submitted to Patsy Ellis, OFM Policy Office, by the budget submittal due date. More detailed instructions for submitting agency request legislation will be distributed in a letter to agency directors from the Governor's Office. Proposed departmental request legislation will be reviewed with the Governor this fall. Agencies must include decision packages in the budget submittal for any of these proposals that have revenues or expenditures.

Please ensure that other agencies potentially affected by your agency's proposed legislation are aware of the request, since OFM will need fiscal notes from each affected agency. Each agency will also need to include the fiscal impact in its budget submittal.

Report requested changes to budget program structure by May 10, 2004

If an agency is considering changing budget program or subprogram structure as part of its 2005-07 budget, the necessary justification must be submitted to OFM no later than May 10, 2004. This will allow sufficient time to obtain LEAP approval as required by the State Budgeting, Accounting, and Reporting Systems Act (RCW 43.88). Please refer to the memo regarding this request on the OFM budget instructions web page. http://www.ofm.wa.gov/budget/instructions.htm

Include JLARC audit responses in the budget submittal

RCW 43.88.090(1) requires agencies to reflect consideration of applicable Joint Legislative Audit and Review Committee (JLARC) performance audit recommendations in their budget requests. Specifically, "The estimates must reflect that the agency considered any alternatives to reduce costs or improve service delivery identified in the findings of a performance audit of the agency by the joint legislative audit and review committee. Nothing in this subsection requires performance audit findings to be published as part of the budget."

The following agencies should include narrative in the budget request that describes the current status of audit responses to JLARC findings and recommendations issued from January 2002 through January 2004. Specific audits and studies are identified on the OFM budget instructions web page at http://www.ofm.wa.gov/budget/instructions/operating.htm.

Department of Community, Trade, and Economic Development
Conservation Commission
Department of Corrections
Department of Ecology
Employment Security Department
Office of Financial Management
Department of Fish and Wildlife
Office of the Governor
Department of Labor and Industries
Department of Natural Resources
Interagency Committee for Outdoor Recreation
State Parks and Recreation Commission
Office of Superintendent of Public Instruction
Washington School for the Deaf
Department of Social and Health Services
Washington Utilities and Transportation Commission

Agencies should be prepared to provide this information to JLARC as well.

1.6 Using the Budget Development System

Use the BDS for developing budget proposals

The Budget Development System (BDS) serves as a tool for budget submittal and facilitates actual budget development. BDS enables an agency to develop its budget by decision package, capturing the information (narrative, expenditure, revenue, and performance measure data) necessary to explain and justify the agency's request. The system also will generate many of the budget reports required as part of the submittal.

New BDS Features

OFM has made some system modifications and improvements to support the new activity budgeting requirements.

- The system now provides the means to maintain and publish activity inventory description information.
- It enables agencies to build, view and report the proposed budget by activity as well as by increment. Also enables agencies to allocate decision packages and the maintenance level subtotal to agency activities.
- New features in BDS replace PMTES for use in meeting the performance measure requirements of the budget submittal. Performance measures are linked to agency activities rather than agency goals.

New Salary Projection System (SPS)

BASS released the new Salary Projection System (SPS) in November 2003. This system was developed to assist agencies in developing staffing-related FTE and expenditure estimates. The system can be used to analyze the cost of current staff levels or to develop scenarios to estimate the cost of budget proposals. SPS provides users:

- The advantage of an on-line listing for easy viewing and navigation of positions within a file,
- The ability to view reports prior to printing, and
- The option of saving projection results in an independent file for easy reporting and future reference.

SPS is only available to agencies with access to the statewide intranet. If you cannot access http://bass.ofm.wa.gov/basspr, then SPS is not available to you at this time.

BASS training and assistance

If you would like more information or assistance in using BASS systems, please contact Vicki Rummig at (360) 725-5268. Training classes or self-guided tutorial lessons are also available. Training information and registration can be found on-line at http://www.ofm.wa.gov/training.htm. More information on SPS, BDS, and other BASS products can be found in the BASS Library at http://bass.ofm.wa.gov/basspr/library (https://services-bass.ofm.wa.gov/basspr/library for Fortress users).

SECTION 2

The Activity View of the Budget

2.1 The Activity Inventory is an activity view of the budget

Agencies will also present the budget by activity

NEW!

This year, agencies will prepare and submit an activity view of the budget in addition to the traditional decision package orientation described in chapters three through six. The Budget Development System (BDS) has been modified to support this requirement and to include activity description and performance measure information in the budget database.

What is an activity?

An activity is something an organization does to accomplish its goals and objectives. An activity consumes resources and produces a product, service, or outcome. One way to define activities is to consider how agency employees describe their jobs to their families and friends. On behalf of the state's citizens, we basically want to know, "What do you do? For whom? Why is it valuable?"

Activity descriptions tend to be better than program descriptions at revealing the nature and purpose of the work performed by state government. The activity view of government has come to play an important role in budget analysis and decision-making.

The Activity Inventory describes what agencies do

The Activity Inventory describes the major activities of each agency. Each activity description should include the following information:

- A title that describes the nature of the activity (rather than an organizational name);
- A brief description of the activity, its purpose, and its intended recipient or beneficiary;
- The expected results of the activity (conveyed as one or more performance measures and/or as a concise narrative description of outcomes);
- The primary statewide result area to which the activity contributes;
- Other statewide result areas to which the activity contributes; and
- A notation of the budget programs related to the activity.

The Activity Inventory is now another view of the budget

NEW!

In the past, the Activity Inventory was a stand-alone reference report. We have now added the activity description information into BDS so that budget amounts can be linked to activities. The activity inventory is now a part of the budget database, and this provides the ability to prepare and present an activity view of the budget.

Agencies will be required to assign certain totals and increments to activities in order to build a complete activity view of the budget.

Current Biennium: Agencies have already provided by activity

+ Carry-forward increments: Optional by activity

+ Maintenance level increments: Optional by activity

Subtotal Maintenance Level: Required by activity (Maintenance Level Total -- can be viewed by activity)

+ Performance level increments: Required by activity

Proposed Budget Total: Can be viewed by activity

2.2 What are the budget submittal requirements?

Agencies must present certain subtotals and decision packages by activity

NEW!

This year, agencies must prepare and submit an activity view of the budget in addition to the traditional step table view. To prepare this view, agencies at a minimum must:

1. Allocate the maintenance level subtotal to activities, and
2. Allocate each performance level decision package to the affected activities.

These requirements are described in greater detail below. Presenting the current biennium level total, maintenance level subtotal, and the performance level decision packages by activity will provide an activity view of the total budget for the agency.

Allocate maintenance level to activities

NEW!

The agency budget submittal must present the maintenance level totals by activity – by account and fiscal year. OFM will already have the current biennium estimates by activity from the 2004 supplemental update. Agencies may choose to assign the costs of some or all carry-forward or maintenance level decision packages to activities, but this is not required. In some way, the entire subtotal must be assigned to activities to provide the activity view of the budget through maintenance level. The agency budget cannot be submitted to OFM until all these costs and FTEs have been assigned to activities.

BDS provides various options for agencies to assign these costs – by account and fiscal year – to activities. We strongly recommend that you work with Vicki Rummig, BASS Product Manager, at (360) 725-5268 or Vicki.Rummig@ofm.wa.gov to explore the option that may be best for your agency.

Allocate each performance level decision package to activities

NEW!

Agencies are required to indicate how the costs – by account and fiscal year – and FTEs of each Performance Level decision package should be assigned to activities. BDS now enables users to indicate the activity costs by account and fiscal year for each decision package.

Add, delete or edit activities to reflect the budget submittal

Agencies will have the ability to add, delete, or edit activities if needed to reflect the budget proposal. To eliminate the need for OFM to review and edit every activity description submitted, most of the activity description fields for existing activities will be locked. Please contact your OFM analyst if you believe a locked activity description needs to be edited.

Provide information about non-budgeted funds supporting activities

NEW!

Because the activity inventory is now a part of the budget system, the numbers reflected in the activity totals will only reflect budgeted funds. If an agency has an activity that is significantly supported by non-budgeted revenues, please mention this in the activity description and note the dollar amount and fund source.

Include the Activity Inventory report in the budget submittal

NEW!

Agencies are required to include a copy of the Agency Activity Inventory report in their submittal. This report can be run in BDS. The report will include the descriptive information for each activity, including linked performance measures and expected results statements. See Section 9 for a discussion of performance measures.

2.3 How to treat administrative costs in the Activity Inventory

Activity costs should include related administrative costs essential to support that activity

The activity inventory should provide a reasonable estimate of the full cost of activities. Part of the full cost of any activity would include related administrative costs that are essential to support the activity.

Administrative costs can be broken into two components: indirect costs and overhead costs. These instructions describe how to handle these two types of costs in the activity inventory.

Definitions

We realize many of the cost terms used here mean different things in different organizations. Please use the definitions below for the purpose of developing activity inventory estimates.

Allocate indirect costs to activities

Indirect costs are administrative costs that are linked to two or more activities, are closely related to and tend to vary with activity level or size, but usually cannot be practically or economically direct-charged. These costs should be assigned to activities through cost allocation and included in the total cost of the activity in the activity inventory.

Types of costs that could be classified as indirect costs may vary from agency to agency, but here are some possible examples:

- Rent costs (if these are not already direct charged)
- Postage costs
- Software development and information technology support costs
- Other shared administrative costs that are closely related to activity levels and size

Show overhead costs as a separate “administration” activity

Every agency has some core administrative functions and costs regardless of the number or size of its activities. These **overhead costs** usually support the entire organization, are not directly attributable to specific activities, and tend to be relatively fixed and not readily affected by fluctuations in activity levels. These costs should not be allocated to activities because they are not “caused” by the activity. Indicate these costs separately in one “Administration” activity in the activity inventory.

Types of costs that could be classified as overhead costs may vary from agency to agency, but here are some possible examples:

- Salary and support costs for the agency director
- Core portions of accounting, budgeting, personnel, communications, and receptionist functions
- Other shared administrative costs that are not closely related to activity levels and size

OFM is not concerned that each agency classifies the same type of cost in the same way. We most want to ensure that activity costs include administrative costs that are critical to support the activity and achieve its intended outcomes.

Certain agencies are not required to have a separate administrative activity

As part of the update to the activity inventory in the fall of 2003, OFM determined that some agencies (those with only a few activities) were not required to break out overhead costs as a separate administration activity. These agencies should not add an administrative activity for the budget submittal.

How should indirect costs be allocated to activities?

Indirect costs should be assigned to activities on some generally accepted cost allocation basis. We encourage agencies that already use a cost allocation methodology for some accounting purpose to use that method to allocate indirect costs to activities. Other possible approaches to allocating indirect costs to activities include, but are not limited to:

- Allocating by the number of FTEs in each activity;
- Allocating by the total dollars budgeted for each activity; and
- Allocating by one or more bases that serve as good surrogates for the costs caused by each activity. For example: IT staff costs by the number of PCs or rent costs by the number of square feet.

Provide allocation information to OFM

The allocated costs should be included in the total costs for the activities. Agencies must also provide OFM with information about the cost allocation approach:

- The total amount of indirect costs allocated;
- A brief description of the allocation method selected;
- The allocation percentage for each activity (percentage of the total indirect cost the agency allocated to each activity); and
- The dollar amount allocated to each activity each fiscal year.

Please use a format similar to that shown below.

Activity Inventory Indirect Cost Allocation Approach

Agency ABC

Date

Allocation Method Description: Total indirect costs were allocated to activities based on the number of FTEs in each activity.

	% Allocation Received	Dollars Allocated FY1	Dollars Allocated FY2	Total Allocated
Activity A	20%	$200,000	$250,000	$450,000
Activity B	50%	$500,000	$625,000	$1,125,000
Activity C	10%	$100,000	$125,000	$225,000
Activity D	20%	$200,000	$250,000	$450,000
Total	100%	$1,000,000	$1,250,000	$2,250,000

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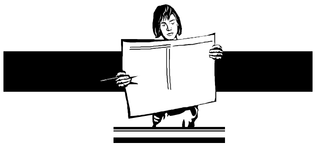
SECTION 3

The Recommendation Summary View

3.1 What is the Recommendation Summary?



The Recommendation Summary summarizes the expenditure portion of the request

The Recommendation Summary is the step table format used to summarize the expenditure change information in the budget request. It begins with current biennium legislative spending authority and lists the significant incremental changes in the carry-forward, maintenance, and performance levels to arrive at the agency's 2005-07 request. Ideally, each single budget line on the Recommendation Summary should represent a single budget policy decision.

Conceptual Description of the Recommendation Summary

Budget Level	Appropriate Items
Current Biennium	Legislatively authorized appropriation level or nonappropriated expenditure level
Carry-Forward Changes	• Biennialization of legislatively directed workload and program changes • Shifting of any continuing unanticipated federal and private/local expenditures to anticipated appropriation type • Negative adjustments for nonrecurring costs
Maintenance Changes	• Mandatory caseload, workload, and enrollment changes • Rate changes, such as lease, fuel, and postage • Central service agency charges and other rate adjustments • Specific compensation adjustments: OASI, merit increments (for agencies with fewer than 100 FTEs), and retirement buyout costs • Inflation • Changes to nonappropriated accounts beyond current allotted levels • Other mandatory cost increases outside agency control • Transfers between programs, agencies, or between years for dedicated accounts • Unanticipated receipts not included in carry-forward level • Federal, private/local, and dedicated fund adjustments
Performance Changes	• New programs or services • Discretionary workload in current programs • Reduction or elimination of current programs • Significant changes in fund sources
Total Budget Request	Sum of Items Above

3.2 What are the submittal requirements?

The Recommendation Summary has a required format

The Recommendation Summary displays the requested dollars by fund and the average annual FTE staff for the biennium for each significant change between the current biennium and the ensuing biennium budget request. Each change item in the carry-forward, maintenance, and performance levels is listed as a separate line item with its own Recommendation Summary code and description. An example is provided in Appendix A-4.

BDS will generate the Recommendation Summary

The agency is able to generate the Recommendation Summary directly from the Budget Development System (BDS) once it has entered its decision package information.

The Recommendation Summary reports submitted to OFM must contain OFM-approved current biennium and carry-forward level amounts

Carry-forward decision packages prepared in BDS will not be released to OFM; OFM will use its calculated carry-forward level as the base data. However, OFM and legislative staff do use the Recommendation Summary reports provided by the agency in its budget submittal. **These reports must show the OFM-approved current biennium and carry-forward level, or OFM will ask agencies to resubmit correct reports. Agencies will not be able to electronically release the budget from BDS when the carry-forward level does not match OFM's carry-forward level.**

Most agencies submit the Recommendation Summary at the agency level

Agencies must submit a Recommendation Summary at the agency level unless they are required to submit budgets at a lower level. Agencies listed in Section 1.3 must submit a Recommendation Summary at the program (or category) level.

Use approved codes to designate change items

Agencies must use valid Recommendation Summary (RecSum) codes to identify each incremental change. (RecSum codes are called decision package codes in BDS.) Sections 5 and 6 also note OFM-designated codes that must be used for certain types of maintenance and performance level changes. These codes are shown in BDS at the bottom of the decision package code listing.

Most agencies must submit program level summary information

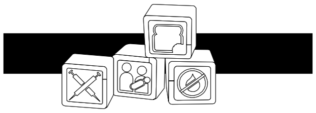
All agencies, except single-program agencies, should provide summary information at the program level. This "Agency Budget Levels by Program" format displays for each program the dollars by fund and year and FTE staff for each of the four significant subtotals (Current Biennium, Carry-Forward Level, Maintenance Level, and Performance Level) on the agency’s Recommendation Summary.

The BDS system can be used to produce this summary information. Alternatively, agencies may produce this report independently as long as it meets the formatting requirements shown in the sample in Appendix A-4.

SECTION 4

Decision Packages

4.1 What is a decision package?



What is a decision package?

Decision packages are a key set of building blocks for constructing the budget request. The decision package is the place for the agency to make a persuasive case for the proposed change. OFM will rely upon this information in evaluating the request.

Decision packages organize and describe proposed cost changes in a way that highlights the budget decisions. The decision package consolidates the financial information, the supporting justification, and the statement of impact for a specific action or policy proposed for implementation in the budget. One decision package describes a proposed item of change listed on the Recommendation Summary.

The Budget Development System (BDS) assists agencies in developing all components of budget decision packages. It also automatically displays the expenditure, revenue, and FTE detail that agencies enter into the system rolled up to the selected level (agency or program) for the decision package report.

When is a decision package needed?

Decision package narrative is required for all incremental changes to the current biennium budget except for changes for carry-forward, OASI, pension rates, inflation, central service agency charge adjustments (formerly known as “revolving fund” charge adjustments), and the package to recast maintenance level to activities.

Agency request legislation decision packages must be submitted with the budget

If an agency submits proposed agency request legislation with a budget impact, a corresponding decision package must be included in the agency budget submittal.

Decision packages should be prepared at the required budget level (agency level except for those agencies listed in Section 1.3), but should always describe which programs and activities are affected by the request.

Decision packages should represent significant, discrete decisions ☒

Each decision package will appear as one line with a **positive or negative** amount on the Recommendation Summary and should represent a significant, discrete budget decision. Craft your decision packages so that they group related items, but do not obscure or combine separate decisions.

The budget decision hinges on the stated performance objective being addressed.

Example: Seven new driver's license examining stations are proposed to expand geographic coverage for an existing service and to reduce waiting time for clients. The location of the examining stations or the objects of expenditure affected are necessary components of the supporting detail, but they are not separate budget decisions. In this case, the agency would submit one decision package.

Please contact your OFM budget analyst if you have questions about how best to organize budget requests into decision packages.

4.2 ☒ The required elements of the decision package

The decision package has required elements

The required decision package elements serve as a checklist for the key information OFM needs to analyze the request. We expect that actual justification materials will vary in length and complexity, depending on the nature of the decision package being proposed. The Budget Development System facilitates the entry of all the required components.

The following are required elements of the decision package.

Decision Package (RecSum) Code

Decision packages are identified with unique, two-digit decision package codes (also called RecSum codes). The BDS will list the allowable codes from which agencies may choose. Sections 5 and 6 also note OFM-designated codes that must be used for certain types of maintenance and performance level changes.

List decision packages in priority order

List decision packages in priority order on the Decision Package Summary. The BDS allows agencies to reprioritize decision packages once their budget development is complete.

Decision package title

The title will appear on the Recommendation Summary report and should be short and descriptive, limited to 35 characters. The system also offers the option of entering a longer, more descriptive title for other purposes. This longer title will not be sent to OFM or printed in required reports.

Agency Recommendation Summary Text

Each decision package should have a brief description of its purpose, written in complete sentences. This text will be loaded into the OFM WinSum budget system and will serve as the starting point for OFM text that describes items funded in the Governor's budget.

This text is used to communicate what is being funded for each discrete budget addition. Please write the decision package text with this in mind. It should clearly state the problem, indicate what is being done to address it, and justify the need. Strive for succinct, precise, and non-technical text. The text should avoid jargon and acronyms and be clear to an audience that isn't necessarily expert on the issue. We suggest that agencies limit this text to about 100 words.

We urge agencies to look at examples in the last budget for guidance on the kind of summary information desired. The link below will take you to the Recommendation Summaries published for the 2004 supplemental budget proposal.
http://www.ofm.wa.gov/budget04/recsum/default.htm

Fiscal Detail

The BDS automatically displays the operating expenditures by account and objects of expenditure, the staffing detail by FTEs, and the revenue detail by account that agencies have entered into the system for each decision package. The BDS provides the option of printing the fiscal detail at the agency level or with program detail (required for those agencies appropriated by program listed in Section 1.3).

Description

Briefly describe the problem or opportunity that is being addressed, the solution being proposed, the agency activities affected, and the expected nature of the change. Compare and contrast how the activities function at the current budgeted level and how they would function instead under this proposal. Include references to workload, eligibility standards, delivery system, staffing, and other elements that will help paint a picture of the situation. The description should also include a proposed implementation schedule to be followed if the item is funded.

Narrative justification and impact statement

The core of the decision package is the justification for the change being requested and a statement of its effect on agency strategies and operations. The BDS is structured to elicit information for each of the following elements of the decision package.

- **How this decision package contributes to the agency's strategic plan and its activities.** Briefly describe how this decision package contributes to one or more of the following:
    - The agency's strategic plan.
    - Statewide results or strategies identified by a Priorities of Government results team.
    - Enabling the state to do a better job with one or more of the listed activities.

NEW!

- **Performance Measure Detail.** If one or more activity performance measures are affected by the decision package, please identify the expected incremental change in annual performance targets for each measure for each applicable fiscal year if the decision package is enacted. An activity performance measure is a measure that the agency plans to maintain in the system as an ongoing measure of activity results. The BDS provides the tools to identify the incremental impacts for these measures.

  If the decision package is expected to bring about some other kind of performance change, please note the expected change by fiscal year in the "Reason for Change" section below. You do not need to create a new performance measure solely to discuss the expected results of the decision package.

  Refer to Section 9.2 for more information identifying performance measure increments.

- **The reason for the change.** What problem is being addressed? What kind of change in results or performance (not presented in the performance measure detail section above) can be expected if this proposal is implemented? If this information is not included in the decision package, expect your OFM analyst to ask why the agency does not expect a change in performance as a result of a funding change.

- **The impact of the change on agency clients and services**. What levels of service are provided today and at what cost and staffing level? How will existing services be altered by the change in funding? Will additional resources increase efficiency, respond to additional workload, expand eligibility, or enhance services?

- **The impact on other state programs or other units of government.** Describe whether a decision package item alters costs, workload, operations, or revenues in another agency program, another agency, or another unit of local or federal government.

- **The relationship, if any, to the state's capital budget.** If the decision package item requires new space, alterations to existing space, or increased maintenance, the additional demands should be described. Also note if the proposal reduces facility requirements. If an agency capital budget request supports the decision package, it should be referenced by the same project title, number, cost, and fund source in both places if at all possible.

- **Revisions required in an existing statute, Washington Administrative Code (WAC), contract, or state plan** in order to implement the change. Please indicate the proposed agency request legislation that is related to this decision package.

- **A discussion of alternatives explored by the agency**, including the pros and cons of the alternatives, why they were not selected, and why the recommended alternative was chosen. In addition to other budget alternatives considered but not selected, the agency should present information on whether the following non-budgetary alternatives to the proposed budget change were considered and why they were rejected:

  - Regulatory or statutory changes pursued in order to simplify, reduce, and streamline requirements that must be fulfilled by the agency process(es) affected by this budget change.

  - Resource redeployment options undertaken to maximize the efficiency of existing agency financial, staffing, capital, or technology resources devoted to the problem this budget change is designed to address.

NEW!

As you consider alternatives, please refer to Appendix A-5 for a list of some of the strategies to reduce costs and improve efficiency that the POG results teams will be asked to consider in their analysis this year.

- **Budget impacts in future biennia.** Discuss effects on expenditures, FTEs, fund sources, and revenue.

- **A distinction between one-time and ongoing functions and costs.** Please describe and include the dollar amount, how much of the request is necessary to cover one-time funding (such as for equipment or a study).

- **Effects of non-funding.** Please describe the consequences to stakeholders and client groups of not funding the decision package as requested.

- **Expenditure and revenue calculations and assumptions.** Agencies should display the calculations (e.g., unit costs and formulas) used to arrive at expenditure, revenue, and workload estimates connected with the decision package. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.

  If a new fee or fee increase is proposed, please include the following information:

  - Fee title
  - Description of fee change
  - Rationale for fee increase
  - Dollar amount of fee change or change in rate
  - Affected stakeholders
  - Note whether legislation is required
  - Note whether the fee increase is above the fiscal growth factor (refer to Part 1, Appendix A-5)

Objects of expenditure

Objects of Expenditure. This portion of the report is automatically inserted into the decision package from the Object Detail worksheet created by the agency in the BDS. While the agency's base budget is not required to be submitted by object, OFM analysts do find it very helpful in understanding how the new funding requested in the decision package will be used.

See the Decision Package Example in Appendix A-2

We have included a model decision package example in Appendix A-2 to show the level of information and support we expect to see in decision packages.

Appendix A-3 provides a guide for developing cost estimates

Appendix A-3 provides a guide for developing cost estimates in the budget. It offers both helpful hints and expectations for cost estimating techniques.

Other decision package information requirements

Refer to Section 10 for a checklist to help ensure that decision packages are consistent with information being proposed in the agency's capital budget.

Refer to Section 11 for information on information technology portfolios and the required additional information elements that must be included in relevant decision packages.

Refer to Section 12 for required information to include in self-insurance premium decision packages.

The Part 1 instructions provide information on how the decision package information should be linked to the agency's strategic plan, performance measures and statewide results.

How OFM will use the activity inventory, strategic plan, and performance measure information in analyzing decision packages

As part of the budget recommendation process, OFM will be considering whether the activity inventory, strategic plan, decision package, and performance measures make the business case for any requested financial change. We want to know, “What is it about this decision package that will enable the state to do a better job with one or more of the listed activities?” Agencies should make sure that the decision package submittal helps answer the following questions:

- What changes in external environment, customer characteristics, internal capacity, or risks are driving this request? Has the agency clearly, explicitly, and with supporting data shown that a problem exists that needs solving?
- What policy issues or decisions are driving the request?
- How does the proposal link to the agency’s strategic plan, POG recommendations, and other relevant policy direction? Does it make sense in the context of POG or agency-identified direction, and achievement of articulated performance targets?

- What is the priority of this proposed change compared to other proposals? Compared to existing activities funded in the base budget? What are the policy tradeoffs implied by this prioritization?
- How will this proposal affect other agencies, and major partners? How have they been involved in the development of this proposal?
- How does this proposal affect or relate to the agency's or Governor's request legislation?
- What data can the agency supply to show that the proposed solution will be effective? Can it be tracked as a performance measure?
- Does the projected performance return for this proposed investment seem feasible and does it seem compelling?
- How will this proposal enhance agency efficiency?
- Why this option and not others? What evaluation process led to this solution?
- If not funded, would you decide not to proceed or would you reprogram other resources?
- Why is this change presented as an incremental increase instead of a reprioritization within the base?

Agencies should be prepared to answer questions about their management practices

Agencies should be prepared to answer the following questions from their OFM budget analysts about the agency's management practices. This information should be incorporated into the budget materials wherever appropriate.

- In what ways have you focused your agency-wide quality improvement, process improvement, and regulatory improvement efforts to reduce unnecessary or low-value expenditures?
- What steps have you taken to review and prioritize all agency programs and business lines, with an eye toward redirecting resources from lower-value activities to core, mission-focused activities?
- What consideration have you given to revisiting statutes that require low-value activities, or require that your activities be implemented in ways that add cost but do not provide measurable benefits?

- What steps have you taken to re-examine agency assumptions regarding desired staffing models, technology infrastructure, and capital assets? Are the current approaches still necessary, or is it possible to make changes that lower cost without sacrificing quality, productivity, or high-level results?
- To what extent have you partnered with other agencies or other units of government (state, local, or federal) to reduce duplication of effort and promote financial cooperation? Examples include co-location of field offices with those of other agencies in order to share support staff or other costs.

Avoid these common errors

- Remember to shift ongoing unanticipated receipts appropriation type coding in the ensuing biennium from type "3" or "9" to a type "2" or "7" in carry-forward level.
- Avoid creating decision packages that are too broad or too narrow. Broad categories like "increases in mandatory costs" do not show what types of expenses have increased. However, an item like "increased lease costs in the Selah office" is too narrow if there are similar lease increases in several offices.
- Remember to list performance level decision packages in priority order on the decision package summary. The BDS is designed to assist an agency in reordering the priority of decision packages as it develops its budget.

SECTION 5

Carry-Forward and Maintenance Levels

5.1 What is the carry-forward level?

What is the carry-forward level?

The carry-forward level is a reference point created by calculating the biennialized cost of decisions already recognized in appropriations by the Legislature.

OFM calculates and provides the carry-forward level to agencies

In consultation with legislative staff, OFM calculates the carry-forward level for each agency and provides agencies with a worksheet indicating the amount by account that must be placed in budget submittals. OFM budget analysts will be discussing these calculations with agencies as soon as possible after the passage of the 2004 supplemental budget. We expect carry-forward levels to be finalized by mid-May 2004.

At the agency and fund level, the carry-forward level in the agency budget submittal must match the total for each account-appropriation type on the OFM carry-forward cost worksheet. Agency budget submittals should display at least one incremental step between current biennium and carry-forward level to reflect total changes. Since the OFM budget database will already contain all the specific incremental items that belong in carry-forward level, it is not necessary for an agency to create a decision package for each item.

OFM uses recommendation summary (RecSum) codes to summarize common items of change at the statewide level. These codes are identified on the report sent to agencies indicating carry-forward level amounts by account. Agencies should consider using these codes in their own budgets for consistency and comparative purposes.

How OFM calculates the carry-forward level

The OFM calculation starts with the 2003-05 expenditure authority as represented by current appropriations, compensation or other allocations, and the nonappropriated funds assumed in the legislative budget. Governor's Emergency Fund allocations are considered nonrecurring costs and are not typically added to the base. Adjustments are then made for biennialization of legislatively directed workload and services changes and for deletion of costs that the Legislature considered nonrecurring. Nonappropriated funds are adjusted to match allotments. These ensuing biennium revisions generally match legislative assumptions of "bow wave."

Unanticipated receipts received and approved in 2003-05 that will continue in 2005-07 are also considered part of carry-forward level if approved prior to the finalization of the carry-forward cost calculation. (See Section 5.4.)

Examples of carry-forward level adjustments

Legislatively directed workload changes – Only those changes already recognized by the legislative appropriation level in 2003-05 (or for nonappropriated accounts, through a change in the legislative budget database or allotments) are included. Examples: staffing for opening of new facilities; biennialization of the cost of mandatory caseload, enrollment, or population growth that occurred during 2003-05.

Legislatively directed changes in level of services – Again, only the carry-forward of those changes recognized by the Legislature through revised appropriations are included in carry-forward level. Examples: a change from annual to semi-annual inspections, or an increased resident-counselor ratio.

Nonrecurring costs – Nonrecurring costs usually reflect deletions of what the Legislature has identified as projects or other short-term expenditures. Legislatively directed nonrecurring costs are eliminated in carry-forward level; agency-generated savings would be shown as negative adjustments in maintenance level.

Some changes will not be part of carry-forward

Increases in Fiscal Year 2005 expenditure levels not specifically authorized by the Legislature, such as agency reallocation of dedicated funds from FY 2004 to FY 2005, are excluded from the bow wave calculation for carry-forward level. Fiscal Year 2005 increases in nonappropriated fund sources would have to be supported by a specific tie to legislative direction or an approved allotment before being included.

The Recommendation Summary reports submitted to OFM must contain OFM's carry-forward level amount

Carry-forward decision packages prepared in BDS will not be released to OFM; OFM will use its calculated carry-forward level as the base data. However, OFM and legislative staff do use the Recommendation Summary reports provided by the agency in its budget submittal. **These reports must match the OFM-approved carry-forward level or OFM will ask agencies to resubmit correct reports. Agencies will not be able to electronically release the budget from BDS when the carry-forward level for the version does not match OFM's carry-forward level.**

5.2 What is maintenance level?

What is maintenance level?

Maintenance level reflects the cost of mandatory caseload, enrollment, inflation and other legally unavoidable costs not contemplated in the current budget. Expenditure adjustments may be positive or negative, depending on expected experience in the ensuing biennium. Agencies will notice that BDS splits maintenance level into two different levels to indicate different kinds of maintenance level costs.

Who prepares maintenance level?

Agencies prepare the maintenance level component of the budget submittal. Like the carry-forward level, maintenance level is a reference point for budget consideration; it is not a guarantee of that amount of funding.

Maintenance level 1 includes mandatory caseload and enrollment changes

A mandatory caseload or enrollment change arises from an explicit statutory requirement for state-funded services. A change in the demand or the need for a service is not mandatory unless the recipients of that service (or benefactors of the activity) are entitled by statute or rule. These kinds of maintenance level changes are entered as maintenance level 1 items in BDS.

Be sure to identify projected caseload growth separately for each discrete service provided by the agency – at the same level of detail as forecasted by the Caseload Forecast Council.

Maintenance level 2 includes inflation and other rate changes

Costs related to inflation and mandatory rate changes are included in BDS as maintenance level 2 items. Examples of these types of changes include: OASI rate revisions, salary increments (for agencies with less than 100 FTE staff), general inflation, existing lease/purchase contract payments, utility expenses, and increased costs for existing leases. Costs for new leases, moves, or acquisition of new space should be included in the performance/policy level budget request.

Salary increments

Because vacancy rates typically result in savings that can offset salary increment costs in large agencies, agencies exceeding 100 FTE staff per year should not include merit system salary increments in their maintenance level calculation. Smaller agencies may identify increments as long as the cost does not exceed 2.5 percent of annual salaries. If an agency believes it has justification for salary increments beyond these limits, they should include them in their performance/policy level. Salary increments should not be added for exempt or Washington Management Service (WMS) staff.

Nonappropriated expenditure adjustments

Unless they are part of a performance/policy level decision package, budgeted/nonappropriated expenditures beyond current allotment belong in the maintenance level 2 category. Display all nonappropriated expenditure adjustments on one line, using the RecSum code 9J, “Nonappropriated Funds Adjustment,” regardless of the number of fund sources or programs. The decision package for this item should explain any changes in OFM-approved allotment levels from the current biennium.

The 2005-07 budgeted level for nonappropriated funds will become the control numbers for the 2005-07 allotment of those accounts. For this reason, agencies should budget the maximum amount they anticipate spending in the ensuing biennium. Decision packages for nonappropriated accounts that reflect a policy change should be requested in the performance level of the agency’s budget.

Agencies must use OFM-specified RecSum codes for maintenance level items

OFM has developed recommendation summary (RecSum) codes in order to more clearly identify maintenance level items of change at the statewide level. Agencies must use the RecSum codes identified below for any maintenance level changes. Please note that most maintenance level changes will fit within a specific category, but there is a miscellaneous rate change code and a miscellaneous other change code if needed. Please discuss items you wish to include in these categories with your OFM analyst before submitting them. You may include more than one change within the decision package, but the decision package description and expenditure calculations and assumptions should clearly identify each change.

Budget Level	RecSum Code	Description
ML1	8A	Federal Requirements Workload, DSHS
ML1	93	Mandatory Caseload Adjustments
ML1	94	Mandatory Workload Adjustments (other than SPI)
ML1	95	Enrollment/Workload Adjustments, SPI
ML1	9C	Initiative 732 COLA
ML1	9R	Utilization Changes (DSHS only)
ML2	8B	Technical Corrections (with concurrence of OFM only)
ML2	8C	Minimum Wage Adjustments
ML2	8D	Budget Structure Changes (LEAP-approved)
ML2	8E	Interagency Rate Changes (Motor Pool, Personnel Services Charges, etc.)
ML2	8F	Fuel Rate Adjustment
ML2	8G	Approved Allotment Changes Above CFL (DSHS only)
ML2	8H	Assessments (weed and fire assessments)
ML2	8L	Lease Rate Adjustments
ML2	8M	Mileage Rate Adjustments
ML2	8P	Postage Rate Adjustments
ML2	8R	Retirement Buyout Costs (smaller agencies may identify costs)
ML2	8U	Utility Rate Adjustments (for non-General Administration utility billings)
ML2	8X	Self-Insurance Premiums
ML2	8Y	Other Rate Adjustments
ML2	90	Central Service Agency Charges (OFM use only)
ML2	91	Workers Compensation Changes
ML2	96	Fire Suppression 10 year average adjustment
ML2	97	Merit System Increments (less than 100 FTEs)

ML2	98	General Inflation (OFM use only)
ML2	99	OASI Adjustments
ML2	9D	Pension Rate Changes (OFM use only)
ML2	9E	Other Fund Adjustments
ML2	9F	Federal Funding Adjustment
ML2	9G	FTE Staff Adjustment (with no dollars associated)
ML2	9H	FMAP Match Adjustment
ML2	9I	K-12 Inflation
ML2	9J	Nonappropriated Funds Adjustment
ML2	9K	Levy Equalization Update (SPI only)
ML2	9L	Local Funding Adjustment
ML2	9M	Medical Inflation
ML2	9N	Contractual Obligation Adjustments
ML2	9P	Pension Adjustments, other than rate changes
ML2	9Q	Equipment Maintenance/Software Licenses
ML2	9S	Equipment Replacement Costs (for extraordinary replacement costs not part of CFL)
ML2	9T	Transfers (between programs, agencies, years, or funds)
ML2	9U	Unanticipated Receipts not included in CFL (ongoing)
ML2	9V	Operating Costs/Existing Capital Projects
ML2	9Y	Other ML Adjustments
ML2	9Z	Recast to Activity

How to treat payments to central service agencies in maintenance level

Do not include maintenance level changes for payments for the central service accounts listed in Section 13.3 in the agency budget submittal. They will be added by OFM in the fall when decisions have been made on these central service agency budgets. Agencies will be provided with a base amount and proposed fund splits in the spring and will be asked to review and request changes to fund splits at that time. (See Section 13.3 for more information.)

5.3 Inflation for maintenance level

OFM will calculate general inflation this year

OFM will calculate the general inflation to be included in agency maintenance level budgets. It will be applied to agency budgets after they are submitted. OFM will use an approach to calculate inflation similar to historical methods.

OFM will use the following inflation factors, which are based on economic forecasts of the Implicit Price Deflator (IPD) for personal consumption, as measured by the U.S. Department of Commerce. The IPD is used for determining inflation for state budgeting purposes because it is considered more representative of the general mix of goods and services purchased by the state than other indicators available. The other primary inflation index, the Consumer Price Index (CPI), may not adequately allow for the effects of technology and quality changes.

Inflation Factors by Fiscal Year – Percentage Change

	Actual	Forecast →			
	2003	2004	2005	2006	2007
% Change	1.9	1.3	1.2	1.6	2.0

Seeking a rate exception

If an agency believes a different rate is justified, that rate should be approved by the OFM analyst prior to the agency budget submittal. The difference between the rate shown above and any other approved rate can then be shown as a decision package item in the performance level budget.

5.4 How to treat unanticipated receipts

What are unanticipated receipts?

"Unanticipated receipts" are monies received from the federal government or other non-state sources that were not anticipated in the appropriations approved by the Legislature and can only be used for a purpose specified by the grantor. A statutory process described in RCW 43.79(270) allows agencies to request expenditure authority for these unanticipated revenues through OFM.

Where should they be included in the budget?

Ongoing funding for unanticipated receipts approved before finalization of carry-forward level (expected to be mid-May 2004) may be requested as part of the 2005-07 carry-forward level as long as they meet the following criteria:

- There is a realistic expectation that the original funding source support will continue; and
- The activity is consistent with stated programs, goals, and objectives of the agency.

Requests to budget revenue and expenditures originally received as unanticipated receipts should reflect an ongoing source of funding (i.e., federal or local), rather than coding for unanticipated receipt appropriation types.

SECTION 6
Policy and Performance Level

6.1 What is the policy and performance level?

What is the policy and performance level?

Incremental expenditure changes that do not fall within the definitions of carry-forward or maintenance levels are considered policy or performance changes. These changes may represent revised strategies or substantial differences in program direction, and can include proposed program reductions. Each significant change to current performance must be justified in a decision package.

Here are some examples of policy and performance level items.

Discretionary Workload – The expenditures necessary to address workload not defined as mandatory.

New Programs or Services – New programs or any change in the level or scope of existing programs. This category also covers improvements that would result in more effective delivery of services, or higher quality services, and proposals for enhanced employee development or training programs. Funding for new programs requiring legislative authorization is also to be included on the Recommendation Summary. (See Section 1.5.)

Program Reductions and Other Changes – Requests for new programs can sometimes replace lesser priority programs. Any policy decision that would result in a reduction of services or clients should be displayed as a separate decision item.

Use specified RecSum codes for certain items

OFM has developed Recommendation Summary (RecSum) codes in order to summarize certain common items of change at the statewide level. Agencies must use these codes for the following types of changes designated by OFM.

Budget Level	RecSum Codes	Description
Performance	92	Puget Sound Water Quality Expenditures
Performance	9A	Boards and Commissions Reductions
Performance	9B	Justice Information Network
Performance	9W	Operating Costs/Proposed Capital Projects
Performance	9X	Self-Insurance Premiums, Experience

How to make requests for the Justice Information Network

The Justice Information Network (JIN) is a multi-agency, multi-jurisdictional, collaborative effort to ensure coordination, compatibility, and the successful integration of our state's justice information systems. It coordinates projects involving state, county, and city law enforcement and court systems. Please use the RecSum code 9B to identify a request for funds for JIN projects so we can coordinate all of the related budget proposals.

Performance Level decision packages must be allocated by activity

NEW!

Each performance level decision package must indicate the costs and FTEs by activity. (See Section 2.3 for more information about this requirement.)

SECTION 7

Salary, Pension, and Insurance Data

7.1 Background

The Personnel System Reform Act changes the information required for budget development

NEW!

In 2002, the Legislature passed the Personnel System Reform Act. One result of this change is that the scope of collective bargaining within state government has been greatly expanded. The Governor's Office, supported by the Labor Relations Office (LRO) in OFM, will negotiate collective bargaining agreements for state "general government" agencies and for some institutions of higher education.

Over the next several years, the Department of Personnel will implement a new human resource management system (HRMS). The HRMS may eventually have the capability to support the salary projection needs of the LRO and the OFM Budget Division. However, the new HRMS will not be operational until 2005 at the earliest, and the needs of the LRO and Budget Division likely will not be supported in the first release of the system.

The nature of collective bargaining requires OFM to have salary data at the employee level, rather than the much higher level collected by OFM in the past via the B6-Salary Format. OFM must be prepared for proposals that may group employees by bargaining unit, classification, range and step, years of service, etc. It also is necessary to have compensation data available at this level of detail for non-represented state employees in order to permit similar calculations for the non-represented groups.

7.2 Agency compensation data collection and update

The initial data collection process is underway

In the fall of 2003, OFM began its data collection for 2005-07 collective bargaining salary negotiations and budgeting for all state employee salaries and benefits. This data collection started for "general government" agencies with an extract from DOP's Human Resources Information System on October 28, 2003. For higher education, data will be loaded in early 2004 from each institution's relevant system. Agencies then will make use of an Internet-based system created by OFM to modify this data, correct errors, and add funded vacancies. This process replaces the 'B-6' forms, which will no longer be submitted to OFM.

Once the initial data is complete, the LRO will use it to estimate the costs of various salary proposals for both represented employees, and all state employees, as needed. This phase of the process will commence in February 2004 and will continue through September 2004.

Opportunity to update final 2005-07 data is in June

In June 2004, agencies will be given a second opportunity to ensure that their data is in line with their 2005-07 proposed maintenance level. It will be important for agencies to take a fresh look at the data, with the goal of making the following corrections:

- Check the Invalid Records screen and clean up records with invalid data.
- Add or delete positions to match the annual average 2005-07 FTE Level at Maintenance Level. If agency Maintenance Level FTEs differ from the FTE level in the Compensation Impact Model Agency Interface (CIM-AI), please provide an explanation of the difference to Jane Sakson, at Jane.Sakson@ofm.wa.gov .
- Update bargaining unit coding to accurately reflect the agency's employee representation.
- Correct fund source designation, if necessary.

The specific deadline and any additional instructions for the June update will be provided via e-mail to system users later this year. Budget managers should ensure that OFM has on record the appropriate system users and email addresses in order for this communication to reach the appropriate staff.

Access to the Compensation Impact Model Agency Interface (CIM-AI)

Budget managers wishing to add or delete system users should contact Thy Nguyen at (360) 664-7682 or Thy.Nguyen@ofm.wa.gov.

Detailed instructions for the CIM-AI are available on-line in the system.

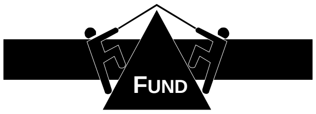
Resources

If you have questions regarding this process, please contact Jane Sakson, OFM Compensation Analyst, at (360) 902-0549 or Jane.Sakson@ofm.wa.gov , or Pam Davidson, Senior Budget Assistant to the Governor, at (360) 902-0550 or Pam.Davidson@ofm.wa.gov.

SECTION 8

Agency Revenues and Fund Balance Reports

8.1 ☒ Agency Revenues report (B9)



What is the Agency Revenues report?

Agency revenue estimates are used to identify funds that support agency expenditure requests, and to assist in estimating statewide fund balances. The Agency Revenues report (B9) form shows revenue that has been or will be credited to budgeted funds in the current and ensuing biennia. (See Appendix A-4 for an example of this report.)

Who must submit a B9 form?

Any agency that collects, deposits, transfers, or reports revenue for any budgeted account must complete and submit B9 forms. Only those revenue transactions executed by an agency are reported by that agency. For example, the State Treasurer reports interest earnings (source 0408).

How is B9 data used?

The second-year current biennium and ensuing biennium revenue estimates (B9 data) from agencies are combined with beginning fund balances, working capital reserve (special revenue funds only), actual revenue and proposed expenditure data to determine an account's estimated fund balance.

Updating revenue estimates

OFM uses the Economic and Revenue Forecast and Transportation Councils' September and November forecasts for funds that they and participating agencies forecast. Other agencies that prepare revenue forecasts for dedicated funds will also be required to provide updated data to OFM in September and November so that the most up-to-date estimates are used to determine budget levels.

What if an account is only partially budgeted?

When an account is partially budgeted, the agency should not report revenue associated with the non-budgeted portion of the account. Partially budgeted or mixed funds are generally proprietary funds. In proprietary funds where only the administrative costs are budgeted, only enough revenue should be submitted to offset the budgeted expenses. The administering agency should be sure that reported revenue is sufficient to cover the budgeted expenditures for all agencies that spend from that account. In budgeted proprietary funds that engage in sales of merchandise, gross profit (sales net of cost of sales) should be submitted in the budget rather than total sales revenue.

A reminder about balancing federal and private/local revenues and expenditures

For all accounts, federal revenue must equal federal expenditures shown in the agency's budget (both operating and capital), unless the agency receives federal revenue that is spent by another agency. In this case, federal revenue and expenditures must net to zero at the statewide level.

Known exceptions to the 'federal match by agency' rule include:

- State Treasurer, Fund 113-Common School Construction Account. The State Board of Education spends this on K-12 school construction.
- Military Department, Fund 05H-Disaster Response Account. Federal revenue will exceed expenditures by the amount of recovery dollars received when disasters are closed out. These dollars become state fund balance, which offsets federal expenditure variance.
- DSHS, Fund 001-General Fund Federal. After expenditures are settled, match revenue leaving a positive variance to offset negative variance in Veterans Affairs. These funds are Medicaid dollars booked at DSHS but spent at the Veterans Facility in Spokane.
- Department of Veterans Affairs, Fund 001-General Fund Federal. Negative variance is offset to positive variance at DSHS. Funds are Medicaid dollars booked at DSHS but spent at the Veterans Facility in Spokane.
- Employment Security, Fund 119-Unemployment Compensation Administration Account. Carry forward fund balance from previous biennium.

Similarly, private/local revenues must equal private/local expenditures shown in the agency's budget (both operating and capital), unless the agency receives private/local revenue that is spent by another agency. In this case, private/local revenue and expenditures must net to zero at the statewide level.

Known exceptions to the 'private local match by agency' rule include:

- Criminal Justice Training Commission, Fund 03M-Municipal Criminal Assistance Account. Carry forward fund balance from previous biennium.

- DSHS, Fund 001-General Fund Private/Local. After expenditures are settled, match revenue.
- DOH, Fund 001-General Fund Private/Local. Shellfish revenue collected by F&W and spent by DOH.
- Fish & Wildlife, Fund 001-General Fund Private/Local.
- Shellfish revenue collected by F&W and spent by DOH.

NEW!

The Budget Development System (BDS) will now produce a warning if federal or private/local revenues and expenditures are not in balance on the pre-release edit report.

Use BDS for preparing the report

Agencies must use the Budget Development System to prepare the revenue report. Please contact Vicki Rummig at (360) 725-5268 or Vicki.rummig@ofm.wa.gov if you need information about or access to the system.

Revenue estimates in BDS are to be reported on a GAAP basis. Carry-forward revenue changes can be captured by creating a carry-forward level, revenue-only decision package. Revenue changes that result from maintenance or performance level items should be captured in an appropriate decision package. These decision packages can be revenue only, or combined with an expenditure change request decision package.

BDS will generate the Agency Revenues (B9) report based on the revenue entered in the decision packages.

Use prescribed revenue and source codes

NEW!

Each code contains a two-digit major group code and a two-digit source code. Please refer to the State Administrative and Accounting Manual (SAAM) for the appropriate revenue source codes and titles. (http://www.ofm.wa.gov/policy/75.80.htm)

Explain revenue estimates

Following the Agency Revenues report, please include narrative that clearly states the assumptions underlying the estimate of each revenue source, unless it has been explained in a decision package.

This explanatory material should contain information concerning key assumptions such as economic indicators, population, number of licenses, enrolled students, and other appropriate variables used to forecast revenues. When federal funds are estimated, the basic federal law, regulations, and other relevant information should also be described in sufficient detail to identify the purpose of the funds and how the amounts have been determined.

Be sure the justification answers the following questions about the health and continuing viability of the revenue source:

- How variable are the revenue collections?
- What is the long-term outlook for the stability of the revenue base?
- What are the linkages between the revenue sources and the purposes for which the revenues are used?
- What is the degree of fit between revenue collection patterns and expenditure patterns?

8.2 ☒ Fund Summary and fund balancing

Fund administrators must submit a Fund Summary

Administering agencies for specific accounts need to coordinate with other agencies using that account and submit to OFM a summary of the fund activity for the 2005-07 Biennium. This summary should include:

- The projected revenue and expenditure by agency in the account for the biennium, and
- The projected ending biennium balance for the account.

(See Appendix A-4 for an example of this report.)

If you have questions regarding which agency is considered the fund administrator, consult the Fund Reference Manual, which lists the administrator for each account, as well as other information. The Fund Reference Manual can be found on the OFM website at http://www.ofm.wa.gov/fund/maintoc.htm.

Agencies will be asked to verify beginning fund balances

NEW!

The Governor must prepare a budget proposal that is balanced for every account each biennium. Beginning fund balances for the current biennium are based on Comprehensive Annual Financial Report (CAFR) data. These balances are adjusted to create beginning “budgetary” or “spendable” fund balances and are not the same as ‘cash’ or ‘book’ balances. OFM will send adjusted beginning balances to agencies for verification in the spring using the General Ledger (G/L) code sort listed below.

In the case of Governmental Funds, all General Ledger (G/L) codes are included in beginning Fund Balance *except* those G/L codes used for the budget (3110 - Estimated Revenues; 61XX - Appropriations; 62XX - Allotments; 63XX - Reserves; 91XX - Budgetary Control).

In the case of Proprietary Funds, restricted and long-term assets and liabilities are removed by excluding the following G/L codes from beginning fund balances, thereby converting Proprietary Fund balances into meaningful budgetary balances. The GL codes excluded in calculating the budgetary fund balance for proprietary funds are listed below:

Note: An x indicates all GL codes within that series are excluded.

1130	Petty cash
1140	Cash with escrow agents
1150	Cash with fiscal agents
12xx	Investments (except 1205-Temp./Pooled Cash Investments)
1410	Consumable inventories
1440	Raw materials inventories
1450	Livestock
1510	Prepaid expenses
16xx	Long-term receivables (except 1656-Advances Due from Other Funds)
19xx	Other assets
2xxx	Fixed assets
3110	Approved estimated revenues
32xx	Accrued/Cash/Non-Cash Revenues
5114	Annuities payable, short-term
5118	Benefit claims payable, short-term
5125	Annual leave payable, short-term
5127	Sick leave payable, short-term
516x	Short-term portion of bonds payable
5172	Lease payable, short-term
5173	COP payable, short-term
5197	Obligations under securities lending agreements
52xx	Long-term liabilities (except 5256-Advances Due to Other Funds)
59xx	Other credits
61xx	Appropriations and estimated expenditures
62xx	Allotments
63xx	Reserves
6410	Encumbrances
65xx	Other Expenses
91xx	Budgetary control summary
92xx	Correction/Changes
93xx	Contributed capital and capital investments net of related debt
94xx	Retained Earnings
95xx	Reserves and designations
96xx	Other Reserve Accounts

Agencies can use FASTTRAK reports to reconcile to beginning budgetary fund balances OFM will distribute this spring.

8.3 Transfer Reconciliation Statement

When must a Transfer Reconciliation Statement be submitted?

Generally, operating revenue transfers balance at the agency level. When both sides of a transfer are not shown on the Agency Revenue report (i.e., transfers between budgeted and non-budgeted funds), a Transfer Reconciliation Statement is required as part of the revenue justification material. This statement will assist the OFM analyst in understanding the purpose and mechanism for the complete transfer.

Here is a sample format for the Transfer Reconciliation Statement.

SOURCE 0621—TRANSFERS IN:

Fiscal Year	Amount	From Account	To Account	Purpose

SOURCE 0622—TRANSFERS OUT:

Fiscal Year	Amount	From Account	To Account	Purpose

8.4 Working Capital Reserve (B9-1)

Who must submit this statement?

The administering agency of a special revenue fund must also submit a Working Capital Reserve form (B9-1) listing the recommended ending fund balance for those accounts. (See Appendix A-4 for an example of this report.)

Use BDS for preparing the report

Agencies use the Budget Development System to prepare this report. BDS includes the appropriate worksheet and prints the report.

How to complete the report

The agency should enter the working capital reserve that, in its judgment, should remain in the account at the end of each biennium to cover fluctuations in cash flow. For most funds, a reasonable amount would be sufficient to cover two months' worth of cash expenditures.

The recommended balance should be entered for each account that should have a working capital reserve. There is no need to indicate a source code.

The recommended ending balance should include, but not be limited to, a cash reserve sufficient to ensure the account does not end the biennium with a negative cash balance. Administering agencies may find it prudent to recommend additional ending balance because of volatile revenues, unique cash-flow cycles or to offset an ensuing biennium operating deficit. Administering agencies should ensure sufficient balance to cover central service agency charge increases. OFM will estimate possible salary increase amounts and require that sufficient balance in addition to the working capital reserve be available to cover this amount.

Since only the administering agency may enter a recommended reserve, administering agencies should contact any other agencies operating in the account to determine the impact of those operations before recommending an ending balance.

8.5 How to avoid common revenue errors

Reminders

- Match federal and private/local revenue to the combined expenditures of both the operating and capital budgets for the biennium. (See page 51 for a list of exceptions.)
- Ensure there are sufficient revenues to cover dedicated account expenditures.
- Do not submit estimates for revenue that is actually collected by another agency.
- Include revenue that is collected by your agency, even if spent by another agency.
- Do not include interest earnings (Source 0408) since these are part of the Treasurer's Office estimates.
- Do not forget to provide estimates for sources resulting from recently passed revenue legislation.

SECTION 9

Performance Measures

9.1 Activity performance measure estimates

Performance measures are now oriented to agency activities

In the past, OFM asked agencies to link performance measures to agency goals. As part of the new strategic framework, OFM wants to better understand the expected outcomes and contribution of each agency activity to statewide results. Therefore, agencies will link performance measures to activities rather than to agency goals.

NEW!

BDS now supports performance measure and activity information

OFM has built a new activity inventory component of the Budget Development System (BDS). This component will eventually replace PMTES for the purpose of reporting budget-related performance measure targets and actuals. Agencies will use this new component, rather than PMTES, to report performance measure information required as part of the agency budget submittal.

Submit performance information for each activity

Agencies must submit information about the expected results of each activity in its activity inventory. OFM prefers that each activity have at least one outcome measure. Output measures, particularly key budget drivers, and efficiency measures are also acceptable. Please refer to the Appendices in the Part 1 Operating Budget Instructions for more guidance on performance measure development at http://www.ofm.wa.gov/budget/instructions/05-07budinstpart1.pdf In particular, agencies may find the value chain examples in Appendix A-2 helpful in illustrating the levels of outcomes that might be associated with a particular activity, and the linkage between activities, outputs, outcomes and statewide results.

Required totals for each performance measure

For each performance measure linked to an activity in BDS, please indicate:

- The actual performance levels attained for Fiscal Years 2002 through 2004 and the estimate for Fiscal Year 2005.
- The total estimated performance levels for Fiscal Years 2006 and 2007 for performance level, assuming all agency proposed decision packages are enacted.

Each activity must have at least one performance measure or statement of expected result

If it is not possible to identify an appropriate quantitative performance measure for an activity at this time, the agency must at least provide a narrative description of the intended outcome for the activity in the "expected results" text box provided in the system. **The agency will not be able to submit its budget to OFM unless each activity is linked to at least one performance measure or has an expected results statement.** The performance measure and expected results information will be printed on the Activity Inventory report that the agency must include in its budget submittal.

Frequently asked questions about the new activity-oriented approach to performance measures

Q. Some of the measures my agency currently tracks are related to activity outcomes; others are not. What is your guidance as to which existing measures should be retained?

- Retain existing measures that describe the expected outcomes, key budget-driver outputs, or key efficiency measures of an agency activity.
- Do not retain measures that are not relevant in describing the outcomes or workload drivers of activities.
- Look carefully at measures that OFM has tracked for some time. Trend information can be very important and we should retain these measures if relevant in the activity context. However, a measure does not have to be retained simply because OFM has tracked it for several years.
- Discuss measures you propose no longer retaining with your agency's OFM analyst and legislative staff.

Q. Is each activity required to have a unique measure?

No. An agency may have several activities that are all targeted towards achieving the same outcome. The system will allow you to link one measure to multiple activities.

Q. Is it acceptable for an activity to have both performance measures and an expected result statement?

Yes. In many cases the combination of outcome description and quantitative measures may most clearly express the contribution the activity makes in achieving agency goals and statewide results.

If you need assistance, please don't hesitate to contact your OFM budget analyst or Mary Campbell, the Governor's Special Assistant on Quality and Performance, at **Mary.Campbell@gov.wa.gov**.

9.2 ☒ Performance Measure Incremental Estimates Report

Indicate the effect of decision packages on activity performance

As discussed in Section 4.2, a decision package should describe the change in performance that can be expected from the investment. If this change in performance is a change in one of the activity performance measures reported in the system, agencies should indicate the incremental change in that performance measure related to that decision package. Any activity performance measure descriptions established in BDS will be available on the selection list in the decision package screen.

Please do not create a performance measure for the sole purpose of describing the effect of a decision package. This information should be described in the decision package narrative.

These incremental changes recorded in the BDS decision package console will be listed in the Performance Measure Incremental Estimates report that is required as part of the budget submittal. This report replaces the B11 report submitted in previous years.

9.3 How to avoid common performance measure errors

Reminders

- Don't use measures that are hard to understand, and avoid the use of jargon and acronyms in performance measure descriptions.
- Don't word performance measures as objectives. For example, if the activity is "Provide training in resume-writing to job seekers" some performance measures might be: # of job-seekers trained, % of job-seekers trained, # of classes staged. An objective statement would be: "Increase resume skills of job seekers."
- On the Performance Measure Incremental Estimates report, show the incremental change in performance for each decision package.
- Enter the final cumulative Fiscal Year 2006 and Fiscal Year 2007 performance measure estimates in the BDS activity component after all decision packages are finalized and incremental changes have been analyzed.
- Use the format pull down list to indicate whether performance measure numbers indicate percentages, dollars, etc., as needed.

SECTION 10

Facility Maintenance and Links to the Capital Budget

10.1 ☒ Linking the operating and capital budgets

Relationships between the operating and capital budgets

While agencies will submit a separate capital budget request, facility-related costs may appear in both the operating and capital budgets. The agency should ensure that:

- The operating budget includes all facility maintenance costs related to the capital budget request or to previously authorized facilities.
- The operating budget reflects operating impacts for capital projects completed during, or just prior to, the 2005-07 Biennium.
- The capital budget, like the operating budget, is derived from the agency's strategic plan.

The OFM capital budget instructions provide more information on capital budget submittal requirements and the expected links between the strategic plan and capital budget submittals. This section is meant to provide a checklist for agencies to synchronize their capital and operating budgets.

Is the capital budget request consistent with decision package responses?

In the decision package, under the heading "Relationship to Capital Budget," agencies must answer the question: "Can existing facilities accommodate this program without remodeling or renovation?" A "no" answer indicates a capital budget request may be appropriate.

Is the operating budget request consistent with the Deferred Maintenance Backlog Reduction Plan?

In the capital budget instructions, OFM will ask agencies to submit a Deferred Maintenance Backlog Reduction Plan (DMBRP). Generally, the operating budget should handle maintenance and the capital budget should handle repairs over $25,000.

The DMBRP will describe the extent of the agency's deferred repair and renewal, how deferred maintenance and repair and renewal needs are changing over time, and whether any deferred backlog affects delivery of the agency's essential services. Agencies must quantify identified issues and/or categories of work in the DMBRP.

The DMBRP should also include the agency's strategy for reducing its backlog. The cost of ongoing maintenance in operating budgets must be coordinated with proposals for facilities preservation projects in agency capital budgets.

Are capital project requests integrated with decision packages?

The Capital Project Request (Form C-2) requires information about operating budget costs (or savings) associated with a proposed capital project. OFM will review decision packages and C-2 forms together to better understand the relationships and costs of agency programs and the facilities that support them.

Ensure consistency between operating and capital budget requests

Help ensure consistency between your operating and capital budget requests by:

- Aligning the agency's Ten-Year Capital Plan and the agency's strategic plan submitted in the operating budget.
- Relating performance measures in the operating budget to programmatic capital budget requests in the Ten-Year Capital Plan.
- Linking the individual capital budget request to the appropriate activity in the agency's activity inventory.
- Including lease or debt service costs for alternate financed capital projects in the agency's operating budget during the biennium in which they occur.
- Identifying operating and maintenance cost estimates for land acquisition or improvement where the primary purpose is recreation or wildlife habitat conservation.
- Including costs associated with construction, renovation, and occupancy of space in Thurston County owned and managed by the Department of General Administration in the affected agency's operating budget.

Refer to Appendix A-3 for more guidance

Appendix A-3 provides guidelines on estimating facility-related costs. It includes information on:

- Internal rents-financing cost recovery charge,
- Internal rents-capital projects surcharge, and
- Maintenance costs.

SECTION 11

Information Technology Portfolios

11.1 ☒ Information technology portfolios and the budget request

IT project requests need to reflect the portfolio planning and management process

The Information Services Board (ISB) and the Legislature have adopted IT portfolios as the planning and management process for IT resources. The portfolio management process integrates agency strategic planning, technology planning, and the budget process. Significant information technology (IT) budget request items must be reflected in the agency's IT portfolio. As part of the budget process, agencies making budget requests for IT investments should do so in the context of their IT portfolios.

ISB policies regarding portfolio management are available at http://www.wa.gov/dis/portfolio. Agencies should contact their assigned Department of Information Services Senior Technology Management Consultant for assistance or additional information.

Agencies may also find valuable information and guidance on analyzing and building a business case for information system options at this Department of Information Services link: http://www.wa.gov/dis/isb/coresystem

Agencies should consider common system solutions first

From a state enterprise perspective, certain cross-agency business needs may best be met by collaborative IT initiatives built on joint requirements planning and IT solution development. State agencies should give priority to satisfying their system needs by way of common, central financial and administrative systems.

OFM Accounting and ISB approval is required for significant technology investments

OFM Accounting and ISB approval is required for "significant investments" in financial and administrative systems technology, defined as projects requiring six [as per SAAM 80.30.88.b] or more staff-months of effort. Through the approval process, OFM and the ISB will focus on four review areas:

1. Does a cost-effective central system solution exist?
2. Can your agency be more flexible in how its needs are met, or can a central system be modified in a cost-effective, timely way to meet your needs?

3. Can you achieve your objectives by creating an agency unique extension to a central system or central database rather than a completely new system?
4. Does a partnership opportunity exist where one or more other agencies can join with you to share in the creation of a new, shared system solution?

The agency must receive written approval from the OFM Assistant Director for Accounting before beginning any significant financial or administrative system development, enhancement, or acquisition, regardless of the funding source. This letter must accompany decision packages for significant financial systems funding.

OFM Accounting, in consultation with DIS, will respond with a decision within 60 days of receiving a complete submittal package. Possible outcomes include unqualified approval, approval with conditions (such as minimizing investments in certain aspects of a financial or administrative system, studying enterprise-wide or multiple agency systems as part of an IT feasibility study, or collaborating with OFM or other agencies during system development), or denial.

Agencies should be aware that, during the next three to five years, OFM, DOP and GA intend to make significant upgrades and enhancements to the state’s enterprise-wide core financial and administrative systems, including Human Resources, Payroll, Labor Distribution, Cost Accounting, Allotments, Accounts Payable, Accounts Receivable, Purchasing, Asset Management, and Project and Grant Accounting. Requests for approval of systems with a primary or significant focus on these functions are likely to be denied or substantially restricted unless the proposals contribute to the improvement efforts of the enterprise-wide systems.

Additionally, if OFM Accounting finds that an agency lacks the information to determine whether a system will involve a significant investment in financial or administrative systems technology, the agency may be asked to study its needs further and resubmit its request at a later time.

For more information about the approval process, requirements, and evaluation criteria, please refer to Section 80.30.88 of the Statewide Accounting and Administrative Manual (SAAM) at http://www.ofm.wa.gov/policy/80.30.htm and the system approval page at http://www.ofm.wa.gov/systemsapproval/home.htm.

DIS will assist OFM Budget in evaluating certain IT budget requests

Agencies must send copies of completed decision packages that include any IT investments to both OFM Budget and DIS. The IT portfolio process requires that each proposed investment be rated for the severity and risk exposure that it creates. The severity and risk ratings range from 1 (the least severe and/or risky) to 3 (the most severe and/or risky). For more guidance, refer to the ISB portfolio management policies at http://www.wa.gov/dis/portfolio.

Each proposed investment rated level 2 or 3 will be formally evaluated by DIS. Each proposed investment rated level 1 will be informally evaluated by DIS. IT investments will be evaluated using the portfolio management principles in conjunction with the OFM budget process.

What additional information is needed for an IT investment decision package?

Agencies must include the severity and risk ratings worksheets with their IT investment decision packages. The decision package must include an Investment Analysis section for each proposed new IT investment. While agencies may supply additional documentation in support of the proposal, the Investment Analysis section must include the following components:

Description

- Describe the proposed IT investment, including, but not limited to, expected customers and transaction volume, the nature of the business, and how the current process functions.

- Provide a copy of, or the electronic link to, the agency's most recent IT portfolio.

IT portfolio and business objectives

- Describe how this investment supports the agency's business objectives, including the business, policy, and technical case for the investment. Consider the business objectives, critical nature of the mission, and resulting efficiency gains in the context of the agency's IT portfolio, its strategic plan, and the recommendations of the Priorities of Government results teams. Also consider the relationship to the statewide technical infrastructure and architectural standards. If the investment was rated level 3, has the agency obtained ISB approval? If not, what are the agency's plans to seek ISB approval?

Digital government

- Describe how the investment supports the strategic use of the Internet in the delivery of government services. How would the investment change the experiences of the public, business partners, and employees in dealing with the agency? How does the investment improve open electronic access to agency information? How does the investment address the Digital Divide?

  If the proposal is related to an e-commerce project – an application accepting or disbursing funds or benefits electronically – the agency may be required to prepare an Economic Feasibility Study (EFS). If required, a copy of the approved EFS must be included. For more information on EFS requirements, please refer to the State Administrative and Accounting Manual at http://www.ofm.wa.gov/policy/40.htm.

Cost-benefit analysis

- Describe the cost and benefits for the proposed investment. Include all investment costs including internal resources, which means that the dollar figures may differ from those in the funding request. Agencies should also explain how the cost-benefit analysis supports the investment decision. Describe the assumptions used and how costs were estimated. Describe the breadth of benefits that accrue in terms of the number of citizens or state and local agencies or programs affected. Document expected benefits in terms of increased revenue, cost savings, cost avoidance, and/or increased efficiencies from the investment.

Technological feasibility

- Describe the relationship of the investment to the agency's IT infrastructure. Does it move the agency toward mainstream and state architecture? Describe the agency's track record of success with the proposed technology. How was the proposed technology selected and what alternatives were considered? Does the agency have the IT capacity and resources to support the result of this investment? If not, does the investment provide the required IT capacity?

Project management

- Describe the approach to manage the investment project, including critical success factors, the securing of executive sponsorship, the use of external contractors, the application of continuous risk management techniques, and the development of both a communications plan and a high-level organization plan with assigned roles and responsibilities.

Support for statewide data coordination objectives

- Describe the process for coordinating with other state agencies and other levels of government when appropriate. Describe the proposed information you share in common with other agencies and how your project will help to make the data seamless and comparable, and/or improve the accuracy, integrity, value, or usefulness of the information.

Additional item for enterprise-wide application investments

- Describe the process for collaborating with the other agencies involved, the statewide group you are working with, and the lead agency. Where will the enterprise-wide application be hosted and who will provide ongoing maintenance and support? Describe the funding plan, including your agency's percentage of the total application cost, what happens if other agencies' portions of the investment are not funded, and the source of funds for ongoing maintenance and support. If this decision package replicates all or part of an existing or proposed enterprise-wide investment but is not a part of that effort, explain why.

What criteria will DIS use to evaluate IT investments?

DIS will use the following criteria to evaluate requests to fund new IT investments:

- Is the investment consistent with statewide and agency portfolio and business objectives?
- How well does the investment support the objectives of digital government?
- Does the agency present a sound business and technical case for the investment?
- Is the investment technically feasible?
- Are the estimates for costs, benefits, and schedule reasonable?
- How feasible is the approach to managing the investment?
- Does the investment demonstrate a high probability of contributing to the success of the agency?
- Does the investment demonstrate a high probability of contributing to and/or benefiting from an enterprise-wide solution?
- Has the proposal been coordinated with other state agencies using similar data?

The DIS evaluation will occur within the period established by OFM for decision package review. DIS will formally document and forward its evaluation and recommendations for level 2 and 3 investments to OFM and copy the requesting agency director. DIS will notify OFM of its recommendations for level 1 investments.

Submittal checklist

In summary, here are items required to be included in the agency budget submittal for IT project-related decision packages. These elements must be sent to both OFM and DIS.

- Decision package
- DIS risk and severity assessment
- IT portfolio (either link to an electronic plan or hard copy)
- OFM systems approval letter (if applicable)
- OFM economic feasibility study (if applicable)
- Other supporting documentation (if applicable)

SECTION 12

Risk Management and Self-Insurance Premiums

12.1 ☒ Agency self-insurance premiums decision packages

Risk management is a key strategy for reducing costs and improving outcomes

Risk management refers to the practices an organization uses to manage its risks. The discipline considers environmental, strategic, operational, and financial risks across the organization. It includes identifying, measuring, prioritizing, and responding to risk. Managing risk should be integrated with planning and operational processes and should be part of each decision making process. Each agency needs to understand the strategic risks it faces, and to decide how its risks should be managed. The budget submittal offers a means for agencies to describe their risk management strategies.

Self-insurance premiums will be budgeted through decision packages

Agency self-insurance premiums will continue to be budgeted as a distinct line item at either the maintenance or performance level. This approach enhances the oversight of agency loss trends and improves strategies to mitigate future losses. Agencies with past and potential future loss experience as the primary driver of their premium increase are to prepare a performance level decision package. Agencies with less frequent and less severe losses are to complete a maintenance level decision package.

OFM will notify agencies about which type of decision package to submit

Later in the spring, OFM will notify agencies indicating the incremental change in the agency's self-insurance premiums for 2005-07 and whether the agency should prepare a maintenance or performance level decision package for this amount.

Include the following information in the self-insurance premiums decision package

Please address the following topics in the narrative of the self-insurance premiums decision package. However, do not include confidential information related to specific closed/pending claims or lawsuits. Seek advice from assigned agency legal staff if there are questions.

1. **Self-Insurance Premiums –** Provide the dollar amount of your agency's self-insurance premiums for previous (2001-03), current (2003-05), and upcoming biennia (2005-07) in the decision package narrative. (In the fiscal detail area, enter only the incremental increase or decrease from 2003-05.)

2. **Past Agency Loss Trends –** Summarize your agency's loss trends during the last five years. Include information to address whether the loss trends match the risks your agency has identified.

3. **Future Agency Loss Trends –** Summarize your agency's potential future loss trends and explain strategies your agency will use to mitigate/preclude these losses from occurring in the future.

4. **Risk Management Goals and Measures/Recap –** Discuss your agency's risk management goals and associated performance measures. Include a recap of the accomplishment of the 2003-05 goals.

5. **Risk Management Executive Order Recap –** Discuss the accomplishments the agency has achieved in response to Executive Order #01-05.

6. **Key Risk Analysis –** Discuss the key risks and challenges of the agency, and the level of risk it is willing to accept.

7. **Risk Management Goals and Measures Planned –** Discuss risk management goals and performance measures for 2005-07.

See Sections 5.2 and 6.1 for the correct RecSum code to use for these decision packages. Self-insurance premiums performance level decision packages should receive a number one priority.

Resources to assist agencies

- The Risk Management Division (RMD) of OFM can provide a loss history profile of agency losses, including pending claims. Reports can be requested on-line at http://www.ofm.wa.gov/rmd/budget.htm.

- For additional risk management information and resources, including sample decision packages, visit the RMD website at http://www.ofm.wa.gov/rmd/index.htm.

- RMD staff is available to assist you with interpreting loss trends and developing risk management goals. Please contact Jolene Bellows, RMD Loss Prevention Manager, at 902-7312 or jolene.bellows@ofm.wa.gov.

SECTION 13

Other Budget Reports

Reports in this section are additional items required because of statutory provisions or because they provide data not included in the regular forms. These instructions apply only to agency budgets with the indicated funds or activities. Samples are shown here or in Appendix A-4.

13.1 ☒ State matching requirements for federal funding

State matching requirements for federal funding (RCW 43.88.090(1))

Agencies must provide a list of any state matching requirements for federal grants (both operating and capital budgets) they receive. Please include this information in your budget submittal in a table like the sample shown below. Also forward an electronic copy of this table to David Ward at OFM at David.ward@ofm.wa.gov. The data includes the federal catalog number, the activity inventory number for the most significant activity using the grant in the operating budget, and the match amount required for four federal fiscal years and four state fiscal years – 2004-2007.

Page

	Code	Title
AGENCY	XXX	ANY AGENCY

2005-07 FEDERAL FUNDING ESTIMATES SUMMARY

DATE: 7-6-04

CFDA NO.*		Agency/	Federal Fiscal Year	State Fiscal Year	State Match Amounts
	Agency Total				
		FY 2004	6,459,857	6,502,000	175,000
		FY 2005	6,441,000	7,862,000	150,000
		FY 2006	6,925,000	8,485,000	175,000
		FY 2007	7,500,000	9,075,000	250,000
11.407	Department of Commerce Interjurisdictional Fisheries Act Activity # A102				
		FY 2004	5,000,000	4,500,000	50,000
		FY 2005	5,100,000	6,000,000	50,000
		FY 2006	5,500,000	6,500,000	50,000
		FY 2007	6,000,000	7,000,000	50,000
15.605	Department of Interior Sport Fish Restoration Act Activity # A105				
		FY 2004	945,000	1,438,000	125,000
		FY 2005	952,000	1,447,000	100,000
		FY 2006	975,000	1,550,000	125,000
		FY 2007	1,000,000	1,600,000	200,000

*Catalog of Federal Domestic Assistance

13.2 ☒ Non-budgeted local fund summaries

Non-budgeted local fund summaries (RCW 43.88.030(1)(f))

The Non-Budgeted Local Fund Summary (B10 format) is used to summarize financial data for non-budgeted local funds that are outside the state treasury. Data can be entered in an Excel spreadsheet available from OFM. This information will be displayed in the Governor's budget document.

Instructions:

a) Narrative description: List in account code number sequence all non-budgeted local accounts within the agency. Include the full title of each account, a brief description of purpose and source of revenue, and the statutory authority.

b) Summary Financial Statement: In addition to the narrative descriptions described above, prepare a summary financial statement of fund balances on the B10 format. List each non-budgeted local fund by fund-class sequence.

The fund balances shown for June 30, 2005 and June 30, 2007 should be reported on a modified GAAP basis (refer to Section 8.2).

13.3 ☒ Central service agency charge information

OFM will determine the maintenance level increment for certain central service agency charges

OFM will determine the amount to add to each agency's maintenance level in 2005-07 for the central service agency charges listed below. The carry-forward level will reflect the changes to these charges made in the supplemental budget.

Administrative Hearings (Account 484) – The Office of Administrative Hearings uses this account for the provision of administrative hearings services to state agencies.

Archives and Records Management (Account 006) – This account is used for the Office of the Secretary of State's archives and records management functions.

Auditing Services (Account 483) – This account is used by the State Auditor’s Office for the centralized funding, accounting, and distribution of auditing costs to state agencies.

Data Processing (Account 419-appropriated portion) DIS-Policy and Regulation Services – Agencies with significant information technology equipment and staff pay into this fund to support the cost of policy and oversight staff support to the Information Services Board (ISB). The ISB approves acquisitions, sets policy, and monitors projects for information technology statewide.

Financing Cost Recovery (Capital Lease Program Account 739) and Thurston County Capital Facilities (Account 289) – RCW 43.01.090, (Chapter 219, Laws of 1994) created two charges related to the construction, renovation, and occupancy of certain space owned and managed by the Department of General Administration (GA) in Thurston County. One of these charges is for financing cost recovery of construction or major renovation projects of such space, and the other is a capital project surcharge to cover some of the costs of ongoing capital projects. These are in addition to all existing facilities and services, seat of government, and Division of Facilities, Planning, and Management (DFPM) lease management charges. (See Appendix A-3 for more information regarding these charges.)

General Administration Service (Account 422) **-** This account is used by the Department of General Administration to provide a variety of services to other state agencies. However, only services charged through the Facilities and Services billing are treated as an adjustment made by OFM. Agencies should plan to include increases for other GA services in their budget requests if they can't be absorbed.

Legal Services (Account 405) – RCW 43.10.150 created the Legal Services Revolving Fund for centralizing the funding and cost distribution of actual legal services provided to all state agencies.

Office of Minority and Women's Business Enterprises (Account 453) – This agency provides a standard certification of minority and women-owned and controlled businesses.

Agencies will verify the account split that OFM will use for the change

We are asking agencies to verify the account split that OFM will use when making the incremental increase in these charges in the Governor’s budget. OFM will send this information to agencies for verification in the spring.

Notify service agencies about extraordinary service needs

Agencies that anticipate requiring an unusual or extraordinary level of service should contact the appropriate service agency to discuss the anticipated nature and scope of the need. This approach will enable service agencies to include an appropriate estimate and cost of the service to be provided to the agency.

Performance level change requests for these services must be in both client and provider agency budgets

If a client and service provider agency see a need to increase the type or utilization level of a service, both the client and provider agency must include a performance level request for this increase in their budget submittal. This is important to help OFM keep these requests synchronized in the budget.

Central service agencies must provide additional information

As part of their budget submittals, service agencies must provide an agency billing list for the current biennium and for the 2005-07 total proposed budget. This list should include the estimated annual amounts to be charged each user agency, and, if a direct staff service, the FTE staff involved with each user agency. Also, each maintenance or performance level decision package must provide an example of the increased charges to small, medium, and large agencies. This will help OFM evaluate the cost implications of the decision package on other agencies. The total billing amount must be reconcilable to the agency's B9 revenue estimate.

OFM will provide a formatted spreadsheet to the central service agencies for their use in preparing this list.

Central service agency amounts are estimates

It should be noted that the central service agency amounts included in client agency budgets are estimates and the actual billings from the service agencies will be based on services rendered. It is expected that client agencies will pay these billings timely and in full as they would bills from other vendors.

13.4 ☒ Six-year program and financial plans for transportation agencies

Who is required to submit six-year program and financial plans?

Transportation agencies must prepare their biennial budgets and strategic plans in the context of their adopted six-year comprehensive program and financial plans. RCW 44.40.070 requires all state agencies whose major programs consist of transportation activities to provide six-year plans. Agencies meeting this criteria include the following:

- Department of Transportation
- Transportation Improvement Board
- Washington State Patrol
- Department of Licensing
- Traffic Safety Commission
- County Road Administration Board
- Board of Pilotage Commissioners
- Freight Mobility Strategic Investment Board
- Marine Employees' Commission
- Transportation Commission

Where to submit the plans

Submit six-year financial plans to the designated planning coordinator at the Department of Transportation, Financial Planning Office, Mail Stop 47400, Telephone (360) 705-7529, Fax (360) 705-6886. The coordinator will consult with the agencies, provide technical assistance when appropriate, and forward final agency financial plans to OFM.

Submit only the six-year financial plans to the coordinator. Other program plan information, project lists, and budget information should be submitted directly to OFM.

Agencies that have transportation budget appropriations out of treasury accounts they do not administer should submit their six-year financial information through the administrators of the funds that their plans impact. Use the Fund Reference Manual at OFM's website at http://www.ofm.wa.gov/fund/maintoc.htm to find the designated fund administrator for each fund.

When are the plans due?

The six-year plans are due on the same date that the agency budget is due. Refer to Appendix A-1 for agency budget submittal dates.

What is a six-year program and financial plan and what information do I need to provide?

Six-year program and financial plans detail the general objectives and needs of an agency's major transportation programs over a six-year period.

Agencies shall submit the following six-year financial information to the designated coordinator:

- Six-year operating and capital expenditures at the program level. Capital program expenditures submitted in the financial plan shall be consistent with project-specific and grant expenditure information submitted directly to OFM.
- Six-year revenue estimates by fund and source for each account administered by the agency.
- Combined six-year revenue and expenditure information as required by RCW 43.88.030. This includes information on the undesignated fund balance or deficit by fund, and any additional information related to program expenditures or revenues as the Legislature may direct by law.
- A discussion of the assumptions in the six-year plan, including explanations addressing the level of bond sales, the use of federal or private/local funds (and required state match), and assumptions underlying the biennial beginning fund balance. Future biennia spending projections that are based on assumptions other than inflationary increases should be described.

Project lists and other program plan and budget information shall be submitted directly to OFM and shall include:

- Six-year estimates of all policy items (both revenues and expenditures) that represent increases or decreases from current revenue forecasts and/or maintenance level program expenditures.
- A detailed six-year capital program at the project level or, in the case of capital programs that administer grants, a summary of projected grant expenditure levels. Department of Transportation Highway Preservation and Improvement programs shall conform to the requirements of RCW 47.05.030.
- Combined six-year program information as required under RCW 43.88.030. This includes any additional information related to workload, performance, or personnel as the Legislature may direct by law.

Agencies shall submit six-year financial and program plans for each treasury account the agency administers and include input from other agencies using the administered accounts.

Over the last several years, the Legislature has shifted from the statutorily required six-year planning horizon to a ten-year timeframe. In order to accommodate these additional revenue and expenditure information needs, we ask agencies to provide ten-year financial and capital program information for those programs where an impact other than inflation should be considered.

Separate six-year program and financial plans are required for each version of an agency's budget

Agencies must submit separate versions of their six-year financial and program plans for each version (i.e., current law, revenue reduction, and new law as described below) of the agency's budget. At least one version shall be based on current law revenue forecasts and program expenditure levels. This version should be constrained by current law financial resources and include any requested changes to current performance.

If new revenues are proposed above current law forecasts, the agency shall provide a discussion of the source, the forecast assumptions, and the purpose of the new revenue.

What resources are available to help me develop my program and financial plan?

OFM has designated a planning coordinator from the Department of Transportation to provide technical assistance and compile six-year financial planning information from transportation agencies. You can contact them at (360) 705-7529 or (360) 705-6886 - fax.

13.5 ☒ Puget Sound Water Quality Work Plan expenditures

Requirements for agencies which received Puget Sound Water Quality Work Plan funding

The Puget Sound Action Team Work Plan (work plan) guides water quality and biodiversity protection efforts of federal and state agencies, and local and tribal governments in the Puget Sound basin. Agencies are required to submit proposed Puget Sound Action Team Work Plan expenditures. This includes identification of both current funding and proposed adjustments. As part of the budget development process, agencies will need to work closely with the Puget Sound Action Team staff (Action Team staff) and OFM regarding work plan expenditures. RCW 43.88.030 and 90.71.050 require identification of expenditures necessary to implement the work plan. Specifically, the information detailed below is needed.

Requirements for the 2005-07 budget

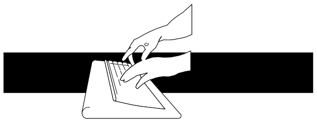
All agencies that received funding to implement the 2003-05 work plan must identify, by work plan agency budget code and fund source, all actual and estimated expenditures to implement the work plan in the 2003-05 Biennium. This information will be submitted to the Action Team staff who will prepare an interagency summary.

These agencies also are required to identify proposed 2005-07 Biennium work plan expenditures and submit them to the Action Team staff. These expenditures will be grouped by budget codes as they were for this biennium. Each budget code will be associated with a particular action or set of actions in the work plan. The Action Team staff will assemble agency-proposed work plan expenditures as part of the process of developing the 2005-07 work plan and for use in the Governor's proposed budget document.

Activities continuing from the 2003-05 work plan will need to reflect cost-of-living adjustments and other staff-based cost increases, as well as reasonably anticipated cost increases for other essential goods and services. New activities will require an estimate of the scope and cost of work involved. This means that agencies work closely with the Action Team staff in identifying and prioritizing proposed activities and expenditures related to the work plan.

The Action Team staff will be transmitting specific budget codes, budget instructions, and electronic forms to agencies in early June 2004 for agencies to use in submitting 2003-05 estimated expenditures and proposed 2005-07 work plan actions and budgets to them concurrent with their budget submission to OFM in August/September 2004. In October 2004, the Action Team partnership will convene to discuss and approve the 2005-07 work plan, and then prepare a final 2005-07 work plan and budget by the end of October 2004.

13.6 Other budget reports and data



Updating agency descriptions

Agency descriptions and missions must be published as part of the budget document. We will send agencies a template in June that will contain the most recent agency description and mission statements. Agencies wishing to make changes should return the updated template to Laurie Lien at Laurie.Lien@ofm.wa.gov no later than their agency budget due date.

Confirm updated second-year expenditure estimates

NEW!

In September, OFM will ask agencies to review and confirm our estimates of second-year (Fiscal Year 2005) expenditures. These estimates, along with Fiscal Year 2004 actual expenditures (as of CAFR Phase II), will be used for fund balancing for the 2005-07 budget proposal.

We plan to use a different, and we hope more efficient, approach to developing second-year estimates this time. Rather than asking agencies to develop the estimates and submit them through BDS, OFM will develop estimates based on this formula:

Expenditure Authority - First Year Actuals - Reserve - Unallotted.

For General Fund-State appropriations, we will use the second-year allotments as estimates. These calculated estimates will be sent to agencies for review in mid-September, shortly after CAFR Phase II close. Agencies will have approximately two weeks to review and confirm or modify the estimates. Agency comment will be due September 30.

Reports on savings incentive account expenditures for each fiscal year

In mid-September, OFM will send instructions to agencies requesting information on the use of the Savings Incentive Account allocations in Fiscal Year 2004. Statute requires OFM to report on the use of this funding by December 1 of each year.

Appendices

A-1 Agency Budget Submittal Dates

Agencies are required to submit their entire operating budget requests on the date noted for each agency in the list below. Please do not expect an exemption from these submittal dates, since delays significantly affect the time available for OFM analysis and review with agencies.

	August 18
075	Governor
080	Lieutenant Governor
085	Secretary of State
090	State Treasurer
095	State Auditor
100	Attorney General
102	Department of Financial Institutions
104	Economic and Revenue Forecast Council
105	Office of Financial Management
110	Office of Administrative Hearings
111	Department of Personnel
116	Washington State Lottery
118	Commission on Hispanic Affairs
126	State Investment Board
140	Department of Revenue
144	Municipal Research Council
150	Department of General Administration
155	Department of Information Services
160	Insurance Commissioner
165	Board of Accountancy
167	Forensic Investigations Council
190	Board of Industrial Insurance Appeals
195	Liquor Control Board
205	Board of Pilotage Commissioners
220	Board of Volunteer Firefighters
315	Department of Services for the Blind
325	Sentencing Guidelines Commission
351	Washington State School for the Blind
353	Washington State School for the Deaf
377	Spokane Intercollegiate Research and Technology Institute
387	Arts Commission
390	Washington State Historical Society
395	Eastern Washington Historical Society
408	Marine Employees Commission
460	Columbia River Gorge Commission
462	Pollution Liability Insurance Program
468	Environmental Hearings Office
476	Growth Planning Hearings Office
550	Washington State Convention and Trade Center

August 18 (Due date for Local Fund Statements)

106	Washington Economic Development Finance Authority
130	Public Printer
148	Housing Finance Commission
346	Higher Education Facility Authority
500	Apple Advertising Commission
501	Alfalfa Seed Commission
502	Beef Commission
503	Blueberry Commission
505	Bulb Commission
506	Asparagus Commission
507	Cranberry Commission
508	Canola and Rapeseed Commission
510	Dairy Products Commission
512	Dry Pea and Lentil Commission
513	Farmed Salmon Commission
514	Egg Commission
515	Fruit Commission
520	Fryer Commission
521	Hardwoods Commission
522	Hop Commission
524	Puget Sound Gillnet Salmon Commission
525	Potato Commission
526	Strawberry Commission
527	Barley Commission
528	Mint Commission
529	Red Raspberry Commission
530	Seed Potato Commission
532	Turf Grass Seed Commission
533	Tree Fruit Research Commission
534	Wine Commission
535	Wheat Commission
599	Health Care Facilities Authority

September 1

001	State Revenues for Distribution
005	Federal Revenues for Distribution
010	Bond Retirement and Interest
076	Special Appropriations to the Governor
082	Public Disclosure Commission
086	Governor’s Office of Indian Affairs
087	Commission on Asian Pacific American Affairs
099	Citizens' Commission on Salaries for Elected Officials
101	Caseload Forecast Council
103	Department of Community, Trade, and Economic Development
107	Health Care Authority
117	Gambling Commission
119	Commission on African-American Affairs
120	Human Rights Commission
122	Personnel Appeals Board

September 1

124	Department of Retirement Systems
142	Tax Appeals Board
147	Office of Minority and Women’s Business Enterprises
185	Horse Racing Commission
215	Utilities and Transportation Commission
225	Washington State Patrol
227	Criminal Justice Training Commission
228	Traffic Safety Commission
235	Department of Labor and Industries
240	Department of Licensing
245	Military Department
250	Indeterminate Sentence Review Board
275	Public Employment Relations Commission
300	Department of Social and Health Services
302	Home Care Quality Authority
303	Department of Health
305	Department of Veterans Affairs
310	Department of Corrections
341	Law Enforcement Officers and Fire Fighters Plan 2 Retirement Board
343	Higher Education Coordinating Board
345	State Board of Education
350	Superintendent of Public Instruction
354	Workforce Training and Education Coordinating Board
360	University of Washington
365	Washington State University
370	Eastern Washington University
375	Central Washington University
376	The Evergreen State College
380	Western Washington University
405	Department of Transportation
406	County Road Administration Board
407	Transportation Improvement Board
410	Transportation Commission
411	Freight Mobility Strategic Investment Board
461	Department of Ecology
465	State Parks and Recreation Commission
467	Interagency Committee for Outdoor Recreation
471	State Conservation Commission
477	Department of Fish and Wildlife
490	Department of Natural Resources
495	Department of Agriculture
540	Employment Security Department
699	Community College System
701	Treasurer’s Transfers
705	Treasurer’s Deposit Income
740	Contributions to Retirement Systems

October 1

011	House of Representatives
012	Senate
014	Joint Legislative Audit and Review Committee
015	Legislative Transportation Committee
020	Legislative Evaluation and Accountability Program Committee
035	Office of the State Actuary
038	Joint Legislative Systems Committee
040	Statute Law Committee
045	Supreme Court
046	State Law Library
048	Court of Appeals
050	Commission on Judicial Conduct
055	Administrator for the Courts
056	Office of Public Defense

A-2 Decision Package Example

State of Washington
Decision Package

Agency: 240 Department of Licensing
Decision Package Code/Title: HE Six-Year Driver License

Budget Period: 2005-07
Budget Level: Performance Level

Please note: This sample Decision Package is based upon an actual decision package used by the Department of Licensing but has been amended for purposes of providing this example.

Agency Recommendation Summary Text:

The four-year driver's license (and associated endorsements) renewal cycle is converted to a six-year cycle (including motorcycle and commercial driver license endorsements). Wait times will be reduced for Washington residents getting driver license renewals. The conversion will be phased in over a six-year period.

Operating Expenditures		**FY 2006**	**FY 2007**	**Total**
106-1 Highway Safety Account		$ 77,000	$238,000	$ 315,000
	Total Cost	$ 77,000	$238,000	$ 315,000

Staffing		**FY 2006**	**FY 2007**	**Total**
	FTEs	0.0	4.5	2.3

Revenue Detail

Fund	**Source**	**FY 2006**	**FY 2007**	**Total**
106-1 Highway Safety Account	0254	$ 0	$ 5,492,000	$ 5,492,000
082-1 Motorcycle Safety Account	0254	0	249,000	249,000
Total Revenue		**$ 0**	**$ 5,741,000**	**$ 5,741,000**

Package Description:

The department proposes to extend the time between driver license renewals and associated endorsements from four years to six years. This change will decrease renewal wait times and improve customer service. Furthermore, reducing the volume of transactions processed at each License Service Office (LSO) has the benefit of freeing up more time for staff to improve other services. This initiative is also an element of the Department of Licensing's performance-based budget request required under Section 503 of ESSB 6456. This decision package only affects the Examining and Licensing Citizens to Operate Motor Vehicles activity.

Although the average wait time across the state is approximately 11 minutes and the actual time for delivering the service is about 9 minutes, an estimated 120,000 customers experienced wait times in excess of 30 minutes over the last two years. The average statistic masks a significant customer service problem of excessive wait times. During peak business hours, many customers experience wait times of an hour or more.

Longer wait times contribute to customer dissatisfaction with the department and state government as shown by our customer comment cards. A review of almost 2,000 comment cards over the last year reveals that 60 percent of those persons who waited more than 20 minutes for a renewal said the service “needs improvement.” And of those who waited more than 40 minutes, 82 percent said the service needs improvement. On the other hand, of those customers who waited less than 20 minutes, 91.5 percent reported that the service was either “Excellent” or “Above Average.” In short, wait times are a critical factor in determining the public’s perception of service quality as provided by the Licensing Service Representatives (LSRs).

Long waits are a source of frustration for LSRs as well. Their ability to provide high-quality service to customers suffers from the high volume of workload. This is particularly true as they must serve customers who, due to excessively long waits, are dissatisfied with the agency’s service even before they are called up to the counter.

Customers not receiving service within their own available time frames often leave the LSO only to have to return on another occasion. Customer comment cards identifying this problem and the dropout rate recorded from “take-a-number" (Q-Matic) stations confirm that this is true. When the number of customers and wait time increases, the number of abandoned line positions increases.

Greater language diversity, population growth, and the simultaneous graying of the baby boomers and the effect of the baby boom “echo” mean that more customers are requesting service. In addition, many of these services, such as disabled parking placards, require greater involvement and time of the LSR. Yet staff growth has not kept pace with these service demand increases.

Success in Other States

Currently, 32 other states and half the Canadian provinces have enacted legislation providing for license renewal cycles in excess of four years (see table below). Some states have renewal and extension periods as great as 16, 15, and 8 years. Nationwide statistics on motor vehicle traffic fatalities and injuries have not shown a negative traffic safety impact from the extended license renewal cycles. The fatality and injury accident rates in jurisdictions with renewal cycles in excess of four years are consistently within the same range as states with renewal cycles less than or equal to four years.

States with Renewal or Extension Periods Greater than Four Years

Alaska
Arizona
California
Colorado
Connecticut
Delaware
District of Columbia
Florida
Hawaii
Idaho
Kansas
Louisiana
Maine
Maryland
Massachusetts
Michigan
Montana
New York
North Carolina
Nevada
North Dakota
Oregon
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Virginia
West Virginia
Wisconsin
Wyoming

Canadian Provinces with Renewal or Extension Periods Greater than Four Years

Alberta
British Columbia
Newfoundland
Nova Scotia
Ontario

Why a Six-Year Implementation Period Is Necessary

In order to smooth the workload and revenue collection over the next four biennia, the current renewal licenses must be distributed as evenly as practicable. If this "smoothing" did not happen and every driver that came in for a license renewal during the next four years were given a six-year renewal, by the fifth and sixth years, the only applicants coming into the office would be those getting an original license. This would equate to an 88 percent drop in workload activity. Staff will have little work for two years (and excellent wait time performance measures); but in years eight, nine, ten, and eleven, the workload would dramatically increase again to process the renewals, and wait times would be intolerable.

In essence, the renewal workload cycle would be heavy for four years, creating tremendous wait times, then almost nonexistent for two years, then heavy again for four years, etc. Staff levels would be difficult to maintain in an irregular cycle of this type. In addition, the revenue flow would follow the same irregular pattern.

Proposed Implementation Plan

The implementation plan follows the principles that no individual will go longer than six years without visiting an LSO and no one has to go to an LSO more than once every four years during the transition. By using a pattern of four-year renewals (the current renewal period), two-year renewal extensions, and six-year renewals, the two-year gap in renewal license activity is filled without requiring the customer to visit a LSO more than they currently do under the four-year system.

An additional four temporary employees will be required to process and issue mail-in extensions of current driver licenses. These FTEs are needed to ensure that customers understand and complete the necessary steps to achieve a balanced workload.

Between July 1, 2004 and June 30, 2006, approximately two-thirds of the customers renewing their driver licenses and associated endorsements will move to a six-year cycle. One-third of the renewing customers will be given a two-year extension of their existing four-year license. They will then be on a six-year cycle. All original licenses will be issued for six years and those licensees will continue on a six-year cycle.

Between July 1, 2006 and June 30, 2008, approximately one-third of the renewing customers will renew for four years, as they do today, and will move to a six-year cycle on their next renewal. The other two-thirds of the customers renewing their driver licenses and associated endorsements will move to a six-year cycle. All original (first-time Washington licenses) licenses will be issued for six years and those licensees will continue on a six-year cycle.

Starting on July 1, 2008, implementation of the six-year renewal cycle is complete. All original licenses and renewal licenses will be issued for a six-year period.

Performance Effects

As a result of moving to a six-year license, wait times for renewal licenses will drop by almost a third. This effect will be seen in the third year of implementation. The initial two years will not see a drop in renewal traffic at the office. However, by the third year an estimated 325,000 fewer people will not be required to come to an LSO. The effect on wait time is direct in that where there once were six people in line for renewals, there will now be only four – a one-third decrease in renewal wait time is anticipated. This will also have a significant effect on the maximum wait times.

As part of the performance-based budget package, this proposal represents one of the key elements of the three-pronged approach for achieving performance improvement related to wait and service times for license renewals. The three elements address improved peak-load capacity (Increase Staffing in LSO Offices, Decision Package HG), reduced workloads (Six-Year Licensing, Decision Package HE), and faster delivery of service (Improved Driver License, Decision Package HD). Among these three approaches, this proposal has the least immediate effect on wait times, though the revenue impact does begin to occur in the 2005-07 Biennium. From among the three approaches, by the 2007-09 Biennium, it will have the broadest impact on wait times in all offices.

This proposal is also the best example of the benefits of strategic planning over a six-year period. Using a long-range perspective made possible by strategic planning, initiatives that add value beyond the 2005-07 Biennium can be evaluated with a focus on achieving a coherent agency vision. This process moves the agency away from the short-term, incremental budget choices that characterize traditional budgeting and focuses our efforts on achieving our performance goals.

Increased Revenue Without a Fee Increase

Currently, a fee of $14 is charged to renew a license for a four-year period. This is equivalent to $3.50 for each year of the license. That annual rate will not change. People renewing their license will be charged a fee equivalent to the number of years the license is in effect. For example, during the phased implementation: Those renewing for a six-year license will pay $21 ($3.50 x six years). Those renewing for four years will still pay $14 ($3.50 x four years). Those receiving a two-year extension pay $7 ($3.50 x two years). Motorcycle and commercial driver license endorsements (CDL) fees would be prorated in the same fashion. A renewal reminder postcard will be mailed to each licensee and will state the new renewal period and the appropriate fee.

As other states have done, the DOL implementation approach will have two-year extensions. DOL will send a renewal mailer to the customer instructing them to return the envelope with their $7 renewal fee to DOL. DOL will mail back a special sticker, with instructions to adhere it to the back of the customer’s license. To prevent fraud, the sticker will be produced with the customer’s license number, name, current address, and the expiration date of their license. The sticker has a special adhesive that will cause the sticker to destruct if it is removed from the license. The date of expiration will be extended on the licensee’s record in the Driver Division’s computer database. This entry will allow law enforcement officers to verify license expiration dates whether a sticker is present or not.

The mail-in and extension process described above is not new to the department. DOL has extensive experience with handling mail-in renewals of licenses (both in Vehicles and Business and Professions) and in the use of special stickers. In many respects, the current vehicle licensing tabs are analogous to the licensing extension proposal.

Narrative Justification and Impact Statement

How contributes to strategic plan:
To meet the agency goal to optimize the cost, accuracy, access, and speed of services to its customers, the agency proposes to extend the time between license renewals.

Performance Measure Detail

Goal: 1.0 Optimize the cost, accuracy, access, and speed of services to customers.

	Incremental Changes	
	FY 2006	**FY 2007**
Outcome Measures		
1.1 Total renewal service completion time (in minutes).	**0.0**	**(4.1)**
1.2 Average renewal wait time (in minutes).	**0.0**	**(4.1)**
1.3 Average maximum renewal wait time (in minutes).	**0.0**	**(12.8)**
Output Measures		
1.4 Number of renewal customers in LSOs.	**N/A**	**(324,513)**
Efficiency Measures	**N/A**	**N/A**

Reason for change:
This will reduce customer wait time in the LSOs and allow for management of workload growth.

Impact on clients and services:
With fewer customers renewing beginning in Fiscal Year 2007, customers will experience shorter wait times. This also provides an opportunity for LSO staff to pay more attention to traffic safety and document security issues in a less stressful environment.

Impact on other state programs:
Extensive research and coordination has occurred between the Washington Traffic Safety Commission, the Washington State Patrol, and local law enforcement in the development on this decision package. All parties have concurred with the proposal from the aspect of public safety. The Traffic Safety Commission will be using this as a research opportunity to evaluate the effect of longer licensing periods on traffic safety among high-risk drivers.

Relationship to capital budget:
None

Required changes to existing RCW, WAC, contract, or plan:
This proposal will require changes to statutes (RCW 46.20.181 and RCW 46.20.505) and rule (WAC 308-100-050), which define the license expiration period and the renewal and endorsement fees, and establish when renewals will occur.

The statute, effective July 1, 2006, will need to be modified to authorize:

- A six-year license.
- The department to adopt policies consistent with the goal of effectively distributing its renewal workload over a six-year term. Such language would allow us to issue variable length licenses and license expiration extensions through June 30, 2008.
- The department to prorate license renewal and endorsement fees on a per-year basis.

Alternatives explored by agency:
DOL researched the option of increasing the number of FTE staff to provide an adequate number of staff to meet the goal of prompt, accurate service. However, an estimated 77 FTE staff would be needed to achieve a reduction in customer service renewal wait time equivalent to the results of this proposal and would require the costs of opening additional offices.

The 77 additional FTE staff would cost $4.6 million each year (including agency support costs) and a capital budget package would be required to add five additional facilities in our busiest locations. The cost per facility is approximately $2.5 million, depending upon location, for a total of $12.5 million.

While additional FTEs form a part of the department's solution to address the service demand for LSO services and reducing customer wait times, the costs of an FTE-only solution (including the related facilities, supplies, and equipment) is not the most cost-effective approach.

Other options, which are not mutually exclusive, include: reduce the time it takes to actually provide the service through the use of improved technology, or reduce the service demands for other driver services and redirect the resources to renewal licensing.

Budget impacts in future biennia:

- FY 2008, a total of $69,000 will be required for startup of the license extension process. Costs include printing, postage, goods and services, and travel costs required for implementation and training less estimated savings for renewal postcards that will not be printed.
- FY 2009, a total of $214,000 will be required for the license extension process. This includes costs for printing, postage, goods and services less estimated savings for renewal postcards that will not be printed.
- FY 2010, a total of $188,000 will be required for the license extension process. This includes costs for printing, postage, goods and services, less estimated savings for renewal postcards that will not be printed.
- FY 2011, an estimated savings of $64,000 for renewal postcards that will not be printed.
- FY 2012 and beyond, no future budget impacts are anticipated.
- In subsequent biennia, the two FTEs provided in the 2005-07 Biennium will no longer be required, and a reduction of $167,000 per year is proposed in the 2007-09 Biennium carry-forward level.

Distinction between one-time and ongoing costs:

The staffing costs in this decision package are one-time for the 2005-07 Biennium.

Effects of non-funding:

The effects of non-funding will be steadily increasing wait times for customers because of population growth, as well as impairment of the department's ability to promote traffic safety. The revenue acceleration that will not occur may result in the need for a fee increase within the current six-year planning horizon. The effect of non-funding on performance means that the reduction of wait times will not occur because drivers will be coming into licensing offices more frequently to review their licenses.

Expenditure Calculations and Assumptions:

Revenues
A significant acceleration of revenues occurs during the first four years of implementation. This is because persons receiving an original license or renewing their licenses will be paying $7 sooner than under a four-year licensing period. As a result, revenues increase by about $5.7 million in FY 2007.

Expenditures
DOL will need increased expenditure authority starting in FY 2006 to implement the first phase of the plan. This increase is primarily for additional temporary FTE staff (one-half time IT Systems Specialist 4, and four License Service Representatives 1) and one-time programming costs for system changes necessary to accommodate the six-year renewal cycle. Costs to Drivers Services for printing, mailing, and processing license extensions will not begin until the 2007-09 Biennium. These costs are estimated to be less than $300,000.

Object Detail		**FY 2006**	**FY 2007**	**Total**
A.	Salaries	0	$128,000	$128,000
B.	Benefits	0	$39,000	$39,000
E.	Goods And Services	$ 77,000	$71,000	$ 148,000
	Total Objects	**$ 77,000**	**$238,000**	**$ 315,000**

Six-Year Estimates

Revenue		**2005-07**	**2007-09**	**2009-2011**
082	Motorcycle Safety Account	249,000	(77,000)	(219,000)
106	Highway Safety Account	5,492,000	3,350,000	3,149,000
	Revenue Total	5,741,000	3,273,000	2,930,000
Expenditure Estimates				
106	Highway Safety Account	315,000	97,000	(47,000)
FTEs		2.3	0.0	0.0

A-3 Guide to specific budget cost calculations

This section offers guidance and expectations on the calculation methods agencies may use to develop cost estimates in their budgets. The section is organized by type of expenditure.

Salaries

Agencies should use the base salary calculations on the July 1, 2001 salary schedule. Discuss the use of any other compensation plan with your OFM analyst before using it in a budget request.

Agencies should not budget for overtime, sick leave or shared leave.

Rates for Employee Benefit Calculations

Agencies should use the rates listed below in budgeting employer benefit contributions and administrative costs for the 2005-07 Biennium.

Old Age and Survivors Insurance (OASI) – Use the following schedule in preparing the 2005-07 Biennium request for employer contributions:

Calendar Year – Element	Percent Rate	Contribution Base	Fiscal Year Average
2004 – OASI	6.20	$87,900 *	$87,450
Medicare	1.45		
2005 – OASI	6.20	$91,800 *	$89,850
Medicare	1.45		
2006 – OASI	6.20	$95,700*	$93,750
Medicare	1.45		
2007 – OASI	6.20	$99,600*	$97,650
Medicare	1.45		

*** Represents estimated maximum contribution salary base**

Individual employee earnings above the contribution base are not subject to OASI taxes. Agencies should be sure to properly convert OASI taxes from calendar to fiscal year expenditures.

Retirement and Pensions – The Pension Funding Council must adopt the retirement contribution rates to be used during the ensuing biennium. Agencies will receive pension rates and administrative cost information in a separate instruction letter later this summer. If these rates are not available before agency budget submittals, OFM will add the change to each agency's budget.

Higher Education System – Higher education agencies should consult their retirement system administrators to determine appropriate rates for the Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF).

Medical Aid and Industrial Insurance – Base the budget estimates for the state's share of medical aid and industrial insurance payments on current biennium rates. Agencies needing information on current occupational rate schedules should contact Aurianna Reigh, Office of Actuarial Services, Department of Labor and Industries, at (360) 902-5018.

Health, Life, and Disability Insurance Plans – The carry-forward level will reflect a maximum contribution of $582.47 per month for each eligible employee in Fiscal Years 2006 and 2007.

Unemployment Compensation – Base unemployment compensation estimates for the 2005-07 budget on actual expenditures made during the current biennium.

List of Personal Service Contracts

Agencies should be prepared to provide, if requested, a list of all actual and proposed personal service contracts for both current and ensuing biennia. OFM will continue to play an active role in the review and evaluation of all filed personal service contracts.

Internal Rent Charges

RCW 43.01.090 (chapter 219, Laws of 1994) created two charges related to the construction, renovation, and occupancy of certain space owned and managed by the Department of General Administration (GA) in Thurston County:

- A charge for financing cost recovery of construction or major renovation projects of such space, and
- A capital project surcharge to cover some of the costs of ongoing capital projects.

These charges are in addition to other facilities and services, seat of government, and Division of Facilities, Planning, and Management (DFPM) lease management charges.

Internal Rents - Financing Cost Recovery Charge

OFM will provide agencies with more information on these charges later this year.

Internal Rents - Capital Projects Surcharge

A separate charge is currently being assessed to allocate a share of the cost of some capital projects in GA-owned and managed facilities in Thurston County. Important features of this charge are:

- Agencies paying the financing cost recovery charge or a similar charge (Natural Resources Building tenants and Highway-Licenses Building tenants) do not pay the capital project surcharge unless, and until, the surcharge exceeds the amount paid for financing recovery.
- The capital projects surcharge for the 2003-05 Biennium will increase beyond the current $4 per usable square foot to $5 per square foot, irrespective of facility use or condition. OFM will build the amount required to cover this increase in agency maintenance level budgets.
- All collections of the capital project surcharge will be pooled and deposited in the Thurston County Capital Facilities Account for appropriation.

Other Notes

- Allocation of both these charges to agencies within a building will be based on the relative percentage of individually assigned space, with tenant agencies each paying their relative share of commonly usable, unassigned, and support space.
- The measurement of space for calculation of these charges will be the GA definition of rentable square footage (similar to the Building Operators and Managers Association's (BOMA) usable square footage), which is the total area available for assignment or rental to an occupant, including every type of space usable by the occupant. It includes hallways and corridors, bathrooms and janitor closets, reception and circulation areas, interior walls, and building maintenance and management areas. Jointly shared areas such as building entrances and lobbies (and atriums), common bathrooms, building storage and penthouses, vending areas, lounges and waiting rooms, cafeterias, and shared conference or meeting rooms should be pro-rated to all the tenants based on the proportion of space occupied in the building. Excluded areas include vertical penetrations that serve all floors, such as elevator and utility shafts and stairwells.

Costs for Maintenance, Alterations, and Repairs

Ordinary or normal maintenance is funded in the operating budget and can be defined in two major categories, preventive/predictive or corrective:

Preventive/Predictive Maintenance

Preventive maintenance is a strategy where inspections are made or actions taken on a scheduled basis to reduce service interruptions, extend the life, and retain the usable condition of systems and equipment. Preventive maintenance is planned to maintain continued efficient operation of the facility. Schedules for service are pre-specified by the facility plant manager or conform to life-cycle replacements established by manufacturer recommendations.

Predictive maintenance is a refinement to preventive maintenance, which integrates scheduled maintenance with system monitoring and analysis (e.g., vibration analysis, thermal/energy use analysis) to identify inefficient operation or anticipate failure. Predictive maintenance reduces cost of maintenance by prolonging equipment life and avoiding costly repairs.

Corrective Maintenance

Corrective maintenance refers to unscheduled “call-in” requests for repair or replacement of equipment, systems, or components of facilities that require immediate action to restore service or repair problems that will interrupt building service or agency activities.

Examples of maintenance and repairs are:

- Painting and decorating (an exception would be painting and decorating at the time of acquisition, original construction, or change of function);
- Repairs to or replacement of fixed equipment;
- Alterations that do not change the function or use of the building; and
- Repairs that are necessary to prevent deterioration or that restore a building to its previous condition without extending the life of the building (an exception would be repairs at time of acquisition).

Charges for Personnel Services

Personnel Services charges are a fixed rate applied to an agency’s classified salary base, and unlike the charges for certain other central service agency charges, are not adjusted by OFM. These charges are used to fund the Department of Personnel’s (DOP) services for recruitment, training, promotion, transfer, compensation, labor relations, or removal of state employees and are placed in the personnel service funds administered by DOP. Agencies who have classified positions under the jurisdiction of DOP must make payment to these funds. Personnel services should be budgeted as follows.

- **Department of Personnel Service Account:** *For the 2007-09 Biennium, agencies should use 0.7 percent (.007) per year of covered salaries and wages.*
- **Higher Education Personnel Service Account:** *For the 2007-09 Biennium, higher education agencies are to use 0.35 percent (.0035) per year of covered salaries and wages.*

This is the budgeted rate for personnel services, **not** an increase in the current rate. Actual rates will be provided by the Department of Personnel at the beginning of the 2005-07 Biennium. Please note that Human Resource Information Systems Division (HRISD) charges are for payroll services and are not the same as the services covered by the rate indicated above. Agencies also should budget for HRISD charges. This amount is not normally adjusted by OFM.

Cost of Goods Sold

Do not include these costs in agency budget submittals.

Travel and Moving Expenses

Moving expenses must be adequately justified before inclusion in the budget request. Travel costs of a one-time nature, including moving expenses, must be deleted in the carry-forward level. Rules and regulations governing travel and moving expenses are provided in RCW 43.03, Sections 050, 060, and 110-210, and in the State Administrative and Accounting Manual found at http://www.ofm.wa.gov/policy/SAAMintro.htm (Chapters 10, 60, and 70.20).

Estimated motor pool rates for both permanently assigned and trip motor pool for the ensuing biennium will be established by the Motor Transport Division of the Department of General Administration and provided to all agencies in time to be used in preparing budget submittals. Agencies should use those rates in preparing their budget requests unless otherwise instructed.

Capital Outlays (Equipment Expenses)

The same carry-forward/maintenance definitions used for other expenditures also apply to equipment. In general, this means that the carry-forward level would include equipment expenditure levels within the current biennium appropriation, less nonrecurring costs directed by the Legislature. Maintenance level additions for equipment alone would be fairly rare, although there may be some cases where equipment expenses are an appropriate component of a mandatory workload item.

A-4 Budget Report Form Examples

BDS will generate this report

SAMPLE

State of Washington

Agency Budget Request Decision Package Summary

(Lists only the agency Performance Level budget decision packages, in priority order)

Agency 106 Office of Agency Relations

Budget Period 2005-07

Decision Package Code	Decision Package Title
EC	Child Care Inspections and Training
EF	Food Safety Education and Training
EG	Student Health Initiative
EL	Transient Worker Housing
EJ	Child Death Review
EM	Shellfish Database

BDS will generate this report
SAMPLE

State of Washington

Recommendation Summary

Agency: XXX Any Agency

Dollars in Thousands	Annual Average FTEs	General Fund State	Other Funds	Total Funds
2003-05 Current Biennium Total	**224.3**	**124,111**	**15,095**	**139,206**
CL 02 Remove One Time Expenditure Costs		(500)		(500)
CL 03 Remove One Time Startup Costs			(675)	(675)
CL 04 SB 9999 Bowwave Adjustment	6.0	1,250		1,250
Total Carry-Forward Level *	**230.3**	**124,861**	**14,420**	**139,281**
Percent Change from Current Biennium	2.7%	.6%	(4.5)%	.1%
M1 93 Caseload Forecast Adjustment	4.5	360		360
Carry Forward plus Workload changes	**234.8**	**125,221**	**14,420**	**139,641**
Percent Change from Current Biennium	4.7%	.9%	(4.5)%	.3%
M2 8E Interagency Rate Changes		108		108
M2 8L Lease Rate Increases		33		33
Total Maintenance Level	**234.8**	**125,362**	**14,420**	**139,782**
Percent Change from Current Biennium	4.7%	1.0%	(4.5)%	04%
PL 10 E-Commerce Opportunity Development	2.5	3,350		3,350
PL 20 Administrative Support	1.0	122		122
PL 30 Quality Initiatives Savings Estimate		(20)		(20)
PL 40 Close One Field Office	(1.0)	(174)		(174)
Subtotal - Performance Level Changes	**2.5**	**3,278**		**3,278**
2005-07 Total Proposed Budget	**237.3**	**128,640**	**14,420**	**143,060**
Percent Change from Current Biennium	5.8%	3.6%	(4.5)%	2.8%

SAMPLE **BDS will generate this report**

State of Washington

2005-07 Agency Budget Levels by Program

Agency: XXX Any Agency

Dollars in Thousands

	Current Biennium		Carry Forward Level		Maintenance Level		Performance Level	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Program: 010 Administration								
FTEs	7.5	7.4	8.0	8.4	8.0	8.4	8.0	8.4
FTEs-Annual Average		7.5		8.2		8.2		8.2
Fund - Appropriation Type								
001-1 General Fund - Basic Account-State	1,057	1,078	1,077	128	1,080	133	1,080	133
001-2 General Fund- Federal	12	12	12	12	12	12	12	12
02V-1 Public Safety and Education Account-State	184		184		184		184	
Total All Funds - Program 010	1,253	1,090	1,273	140	1,276	145	1,276	145
Biennial Total All Funds - Program 010		2,343		1,413		1,421		1,421
Program: 020 Budget Services								
FTEs	36.3	36.3	36.7	37.1	36.7	37.1	36.7	37.1
FTEs-Annual Average		36.3		36.9		36.9		36.9
Fund - Appropriation Type								
001-1 General Fund - Basic Account-State	2,983	3,032	2,993	3,062	3,006	3,073	3,006	3,073
Biennial Total All Funds - Program 020		6,015		6,055		6,079		6,079
Program: 030 Accounting Services								
FTEs	21.9	21.9	21.9	21.9	21.9	21.9	21.9	21.9
FTEs-Annual Average		21.9		21.9		21.9		21.9
Fund - Appropriation Type								
001-1 General Fund - Basic Account-State	1,157	1,169	1,157	1,169	1,180	1,194	1,180	1,194
001-2 General Fund-Federal	25		25		25		25	
419-6 Data Processing Revolving Account-Non-Appropriated	428	427	428	427	428	427	428	427
Total All Funds - Program 030	1,610	1,596	1,610	1,596	1,633	1,621	1,633	1,621
Biennial Total All Funds - Program 030		3,206		3,206		3,254		3,254

State of Washington

2005-07 Agency Budget Levels by Program

Agency: XXX Any Agency

Dollars in Thousands

	Current Biennium		Carry Forward Level		Maintenance Level		Performance Level	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Agency FTEs	**65.7**	**65.6**	**66.6**	**67.4**	**66.6**	**67.4**	**66.6**	**67.4**
Agency Annual Average FTEs		**65.7**		**67.0**		**67.0**		**67.0**
Agency Totals by Fund								
001-1 General Fund - Basic Account-State	**5197**	**5,279**	**5,227**	**4,359**	**5,266**	**4,400**	**5,266**	**4,400**
001-2 General Fund-Federal	**37**	**12**	**37**	**12**	**37**	**12**	**37**	**12**
02V-1 Public Safety and Education Account-State	**184**		**184**		**184**		**184**	
419-6 Data Processing Revolving Account-Non-Appropriated	**428**	**427**	**428**	**427**	**428**	**427**	**428**	**427**
Total All Funds	**5,846**	**5,718**	**5,876**	**4,798**	**5,915**	**4,839**	**5,915**	**4,839**
Biennial Total All Funds		**11,564**		**10,674**		**10,754**		**10,754**

BDS will generate this report

SAMPLE

BASS BDS

Form B9

State of Washington

Agency Revenues

Page: 1

Budget Period: **2005-07**
Agency: **XXX** **Any Agency**
Version: **XX** **Any Version**

CODES			DECISION PACKAGE	CURRENT BIENNIUM		ENSUING BIENNIUM			
						MAINTENANCE LEVEL/ CARRY FORWARD LEVEL		PERFORMANCE LEVEL	
FUND	SOURCE			FY 2004	FY 2005	FY 2006	FY 2007	FY 2006	FY 2007
001	0316	Department of Justice		1,576,368	1,182,376	1,576,368	1,182,376	1,576,368	1,182,376
001	0317	Department of Labor		3,388,000	3,388,000	3,388,000	3,388,000	3,388,000	3,388,000
001	0320	Department of Transportation		400,000	400,000	400,000	400,000	400,000	400,000
001	0394	Corp for Natl & Community Service		7,448,279	7,453,279	7,448,279	7,453,279	7,448,279	7,453,279
TOTAL FUND 001				**12,812,647**	**12,423,655**	**12,812,647**	**12,423,655**	**12,812,647**	**12,423,655**
277	0402	Income From Property		12,000	12,000	12,000	12,000	15,000	15,000
		Income From Property	M2-RV			3,000	3,000		
	SUB TOTAL SOURCE 0402			**12,000**	**12,000**	**15,000**	**15,000**	**15,000**	**15,000**
TOTAL FUND 277				**12,000**	**12,000**	**15,000**	**15,000**	**15,000**	**15,000**
419	0420	Charges for Services		10,584,604	10,516,278	10,584,604	10,516,278	10,584,604	10,516,278
TOTAL FUND 419				**10,584,604**	**10,516,278**	**10,584,604**	**10,516,278**	**10,584,604**	**10,516,278**
GRAND TOTAL				**23,409,251**	**22,951,933**	**23,412,251**	**22,954,933**	**23,412,251**	**22,954,933**

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SAMPLE

BASS BDS
Form B9-1

State of Washington
Working Capital Reserve

Budget Period: 2005-07
Agency: 225 Washington State Patrol
Version: 20 Agency Request

Page 1

		FUND ADMINISTRATOR AGENCY ONLY	FUND ADMINISTRATOR AGENCY ONLY
		RECOMMENDED ENDING FUND BALANCE	RECOMMENDED ENDING FUND BALANCE
FUND	FUND TITLE	Current Biennium	Ensuing Biennium
001	General Fund-Basic Account	200,000	300,000
128	Grain Inspection Revolving Account	300,000	350,000
104	State Wildlife Account	100,000	250,000
283	Juvenile Accountability Incentive	45,000	75,000

SAMPLE

FUND SUMMARY BY FUND ADMINISTRATORS

Fund Number and Title: 042 Charitable, Educational, Penal, and Reformatory Institutions Account

Administering Agency: Department of Natural Resources

Agency Number/Agency Name	7/1/05 Estimated Beginning Fund Balance	2005-07 Proposed Revenue	2005-07 Proposed Expenditures	6/30/07 Estimated Ending Fund Balance
Administering Agency	11,366			
150 Department of General Administration		(52)	700	
300 DSHS			9,774	
303 Department of Health			836	
305 Department of Veterans Affairs			4,352	
310 Department of Corrections			5,171	
490 Department of Natural Resources		9,101		
701 Treasurer's Transfers		871		
TOTAL	**11,366**	**9,920**	**20,833**	**453**

BDS will generate this report
SAMPLE

State of Washington

Agency Performance Measure
Incremental Estimates for the Biennial Budget

Agency: XXX Any Agency Budget Period: 2005-07

Activity: A005 Central Financial Systems Development and Maintenance

PL CH Washington State Finance Academy

No measures linked to decision package

Output Measures 1010 Number of Fastrack reports requested by agencies daily.*

			FY 2006	FY 2007
PL	AH	Expand Client Training Program	200.00	500.00

**Fastrack is a web-based agency financial reporting system.*

Output Measures 1020 Number of Travel Voucher System vouchers processed annually.*

			FY 2006	FY 2007
PL	AH	Expand Client Training Program	2,500.00	7,000.00

**The Travel Voucher System is the new web-based system available to process travel reimbursement.*

Activity: A008 Governor's Budget Development

PL AH Expand Client Training Program

No measures linked to activity

Activity: A010 Personal Service and Client Service Contracts

PL BH Expand Client Training Program

No measures linked to activity
No measures linked to decision package

Activity: A013 Statewide Accounting Policies and Reporting

PL AH Expand Client Training Program

No measures linked to activity

Page

	Code	Title
AGENCY	XXX	ANY AGENCY

2005-07 Federal Funding Estimates Summary

DATE: 7-6-04

CFDA NO.*	Agency	Federal Fiscal Year	State Fiscal Year	State Match Amounts
	Agency Total			
	FY 2004	**0**	**0**	**0**
	FY 2005	**0**	**0**	**0**
	FY 2006	**0**	**0**	**0**
	FY 2007	**0**	**0**	**0**
	Federal Agency Name			
#####				
	FY 2004			
	FY 2005			
	FY 2006			
	FY 2007			
	Federal Agency Name			
#####				
	FY 2004			
	FY 2005			
	FY 2006			
	FY 2007			
	Federal Agency Name			
#####				
	FY 2004			
	FY 2005			
	FY 2006			
	FY 2007			
	Federal Agency Name			
#####				
	FY 2004			
	FY 2005			
	FY 2006			
	FY 2007			

*Catalog of Federal Domestic Assistance

B-10 Biennial Budget Estimates

Page

	Code	Title
AGENCY	XXX	ANY AGENCY

SAMPLE

NON-BUDGETED LOCAL FUND SUMMARY

DATE 7-25-04

FUND CODE	FUND NAME	7/1/03 FUND BALANCE*	6/30/05 ESTIMATED FUND BALANCE	2005-07 ESTIMATED REVENUES	2005-07 ESTIMATED EXPENDITURES	6/30/07 ESTIMATED FUND BALANCE
141	Federal Seizure Account	905,641	1,034,666	325,000	310,000	1,049,666

* This column must agree with the 6/30/03 CAFR balance.

A-5 Guidance to Results Teams

Tools for Results Teams to Consider
Doing the Right Things. Doing Them Right.

(Adapted from materials provided by the Public Strategies Group.
This document has been given to the POG Results Teams for consideration in their deliberations.)

In times of budget constraints, many activities currently being performed may not be funded, even though they support the desired results. If we can find ways to do the most important activities more cost-effectively, we can potentially free up funds for other activities we could not otherwise afford.

In essence, once we have determined that we are "doing the right things," we should ask ourselves if we are "doing things right." To support that work, we suggest teams consider several proven "tools."

Tools for "Doing Things Right"

Many of the activities of state government can demonstrate a significant contribution to the desired results. About such activities we can still ask, "Are we buying those results at the best price," or "Can we get more 'bang for the buck' if we bought the results in a different way?" In moving to such a results orientation, staff and managers frequently feel constrained by statutes, rules, assumptions, directives, or "the way we've always done it." Sometimes, they constrain themselves – through understandable pride or a felt need to defend the practices and people within their purview. Doing that can limit the effectiveness of their workgroups, keeping them stuck in outdated procedures or approaches, that are no longer appropriate or as effective as they could be.

The following tools are intended to challenge, support and guide managers and staff as they consider how to deliver the desired outcomes at a better price or in a better way.

IMPORTANT NOTE: Some of the tools below are obvious choices. Others may seem quite radical. Some may require additional authority, or a change in existing regulations. Some are appropriate for application at a process level, some at a program or policy level. All of them have been proven to work when used in the appropriate circumstances.

Your challenge – as a team member, manager or a change agent – is to support your group's effort to determine which tool to apply, and learn how to use it to good effect. Selecting the right tool for the job is a matter of art AND science. In each case the tool should be selected based on the extent to which its application could improve the outcome of the activity, lower the cost of the activity, or both.

1. **Clear the decks.** Activities that do not contribute significantly to achieving any of the results should be eliminated. Divesting will almost certainly mean disruption, but in return, it will free up resources to invest in the results that matter most to citizens. Ordering

activities by their contribution to the results provides a good foundation for determining which activities should be considered for elimination.

2. **Consolidate WHERE IT MAKES SENSE.** Consolidation is the perennial favorite of politicians, who often assume there are economies of scale to be had from merging agencies, or merging service programs into "one-stop" centers. These mergers are rarely managed beyond moving boxes around on an organization chart, with the result being few real savings and many new costs, as well as significant disruption in service delivery and staff morale. Consolidations are most likely to produce savings or improve results if they are well-managed, and focused on specific areas, such as:

   - **Consolidating missions.** When programs or agencies are combined, they bring with them their various missions. Reconciling and blending the various missions requires a conscious and deliberate organizational change effort, for which time is rarely taken. The result is a lack of focus, if not outright conflict between missions. Consolidations work best when the sponsors of the consolidation work with the resulting program/agency to agree on a clear, focused mission and set of clear, limited performance targets.

   - **Consolidating funding streams**. Far more powerful than consolidating agencies or programs is consolidating their funding streams. Specifically dedicated funding leads inevitably to specifically dedicated – and therefore complicated – agencies. Tracking costs according to the "color of money" is another form of the "cost of mistrust." Consolidate the funding, focus it on clearly prioritized outcomes, and use it to purchase those outcomes from whatever programs or agencies can best produce them.

   - **Consolidating policy authority.** Most agencies have both policy ("steering") responsibilities and operating ("rowing") responsibilities. These are not the same! "Steering" focuses on doing the right things, while "rowing" functions focus on doing them right. By separating these roles, each can be performed better. Once separated, steering can be consolidated to assure that policy is integrated and mutually reinforcing across a government unit. When coupled with consolidated funding streams, steering organizations can "purchase" key results from those who row.

     The Master Agreement between the unions and agencies is an example of a consolidated steering authority. Instead of each agency developing individual personnel policies, we can consolidate the responsibility for overarching policy development and negotiation and let individual agencies focus on their core businesses.

     Executive management teams who work collaboratively to develop agency-wide policies and priorities, instead of maintaining division or departmental "silos," are better equipped to find opportunities for supporting shared or collective goals.

   - **Consolidating similar operations.** Programs or activities that do similar kinds of work are good candidates for consolidation. Examples include call centers, where technology now makes it cost-effective to consolidate customer service call centers in one location instead of in local offices. In such cases, the similarity of the work can offer opportunities for consolidation.

- **Consolidating layers**. Organizational layers may have been necessary when communication was cumbersome and employee skills were limited. But with today's technology and well-trained workforce, the justification for so many layers should be questioned. Consolidating layers can save money. It can also improve service when coupled with delegating more authority to those closest to the customers.

- **Consolidating access.** Much of what government does involves the collection and processing of information. Accessing what the government knows has often been cumbersome and expensive for those inside and outside of government units. Technology provides the opportunity to consolidate access, and in so doing, to reduce costs and improve service. An example of this is the website developed by the Public Disclosure Commission, which makes it possible for members of the public to access information about campaign spending. The upfront cost of developing the website has been more than offset by the downstream savings in staff research time. Customers are also much happier with the near instant response to their information requests. Look for ways to consolidate data sources to make access easier for staff and customers alike.

- **Consolidating "back room" activities.** Many agencies have similar back-room functions (e.g., phone answering, purchasing, data storage), even though their activities that directly touch citizens are very different. In these cases there may be an opportunity to create a common "back room," reduce the total resources dedicated to these functions, and re-deploy resources to direct service activities.

  Managers and staff should explore opportunities to consolidate aspects of activities, in whole or in part to produce the assigned Results.

3. **Buy from across the whole "enterprise."** The means to achieve the desired results need not be restricted to any specific agency, program or level of government. The best ways to achieve a result may be found in unexpected places … in places other than where it is currently being done. In the original "POG" exercise, Results Teams looked across the entire state and local enterprise to choose those activities that were best suited to achieving the desired outcome within the resources available. In some cases, they determined that funding was better spent by allocating it to local government agents, or by consolidating similar programs in different agencies.

   Staff and managers can do the same thing as they review activities within their own agency. Could the same activity be done better or at a lower cost at another level of government or in another agency or program? Are there non-profits or private sector alternatives that are better?

4. **Look at the whole budget – not just General Fund.** The general fund is only 65% of the state "all funds budget." In any agency, it may be a larger or smaller proportion of the

agency funding. Anything that big is important, but ignoring the rest is a big mistake. And yet that is the norm in state budgeting today.

We should begin by assuming that all funds are consolidated, allocating them to the desired results without regard to their "color" or to the "strings attached." Start by identifying how your TOTAL resources could be put to work to achieve the assigned results. THEN look at how any restrictions (real or perceived) could be addressed. This approach, and the insights that result from it, can:

- Provide a foundation for your conversations with the funding source and support your request for amending the restrictions, and
- Identify possible new ways to leverage or apply the funding available.

5. **Cut the cost of mistrust.** The main purpose of 20-30% of government spending is to control the actions of citizens, businesses and the other 70-80% of government. Much of that spending is based on the belief that people will lie, cheat and steal if given the opportunity. If you look into the history of the control program, you will often find that a whole set of policies and procedures were put into place in reaction to one person's misappropriation. This level of mistrust is not only expensive – it undermines performance. For example, in special education today, most teachers spend up to 50 percent of their time filling out forms to demonstrate compliance with federal and state rules and regulations.

   Examples of opportunities to cut the cost of mistrust abound in any agency – in the multiplicity of signatures on payment vouchers, SCAN bills, travel vouchers, and any other authorizing document. If we could find less expensive ways to "win" compliance, or demonstrate that the cost of mistrust exceeds the risk involved, we could spend more on the activities that produce the results citizens want. For example, Montgomery County, MD has given its departments the authority to pay invoices in amounts up to $5,000 rather than sending them to central accounts payable. This created flexibility for departments and allowed a more than 50 percent reduction in the accounts payable staff. Departments are still accountable for their actions, but at a much lower cost.

   Many process improvements can be implemented to reduce the layers of "mistrust" that slow down processes and frustrate customers and staff alike.

6. **Make performance consequential.** When there are consequences (either as rewards or sanctions), the incentives for performance can be clearer, and can lead to better results. Examples of ways to make performance consequential include:

   - **Manage like an entrepreneur.** What if all service agencies had to "earn" their budgets by selling to citizens or to other agencies? What if they had to "compete" with other public or private providers for the business of state agencies? For example, the Department of Information Services and the Department of Printing have to compete with other information service and print shop providers for agency business. As a result, they are constantly looking for ways to drive costs down, using the competition as their benchmarks.

- **Contract competitively.** What if public agencies had to compete with other agencies or private businesses to serve the needs of the public? When public agencies are required to compete, they can unleash the creative potential of their employees because the incentives for success are so direct. The Personnel System Reform Act will give agencies the flexibility to consider contracting for services that would otherwise be done in-house, if it can be done at a better price or with a better result. Before the agency can competitively contract a service, staff will have the opportunity to present more cost-effective alternatives.

- **Establish service standards and guarantees**. What if an activity developed and posted service standards and provided customers a rebate or other redress if these standards are not met? That's how it works today when you apply for a passport. They either get it to you on time or you get your money back. The result: delighted customers who get passports much faster than they ever thought possible. Governor Locke's Executive Order 03-01, Service Delivery Standards, requires agencies to establish customer service standards.

- **Manage for performance**. Require every agency, program and activity in state government to set performance targets and then measure and report results against those targets. Doing so focuses attention on what matters most – results. To strengthen the focus, add rewards and recognition for success as well as penalties for poor performance.

  It takes several years to develop an effective performance management system, and it requires serious investment. The first two approaches offer faster results and greater savings in the short term; hence, they are more useful during a fiscal crisis. However, over the long term, performance management provides the foundation for measuring outcomes and demonstrating to citizens the return on their investment in government.

  Governor Locke's Governing for Results initiative has supported agencies in building the capacity and infrastructure necessary for a performance management system. Continuing the focus on performance measures will allow us to effectively measure and order activities according to their contribution to results. Civil service reform will also give managers the ability to deploy performance management to the individual employee level by linking performance to compensation and RIF selection.

- **Increase flexibility in return for accountability.** In exchange for performance accountability, give programs and their managers more flexibility in determining how services are delivered. Tying up programs in red tape while making them accountable for performance is a set up for failure.

  A performance agreement is one way to assure accountability while increasing flexibility. Such written agreements articulate the overseeing manager's expectations, the service provider's goals and freedoms, how performance will be reported, and how that information will be used to trigger consequences, either positive or negative.

7. **Take the customer perspective.** Although we are in the public service, it's easy to forget how the public sees what we do. Focusing on the results that matter most to citizens means that we must bring that question into our process improvement efforts. As we examine our activities and processes, we should test each step against the requirement that it add positive value to the process customer. If we cannot show that the additional step, review or paperwork supports one of our key results, we should consider eliminating that step.

8. **Provide choices to customers.** Just being given a choice often increases any customer's perception of value. We can make services more responsive to customer preferences by:

    - **Letting customers serve themselves** through service vouchers or web-based service delivery. Such services give customers control over the content, time and convenience of the services they want. Washington citizens can now buy fishing licenses, check shellfish beach closures, order a moorage permit, renew tabs and search for a state job from their home 24/7. These kinds of self-service options add value to citizens and can be very cost-effective in the medium or long run.

    - **Giving customers choices** and making sure that the money follows the customers. This creates competition between service providers for the customers' business.

9. **Direct subsidies and tax credits to places where they produce a return.** Much state spending really involves transfers of resources from one set of taxpayers to another. Subsidies result when those who benefit most directly from a service are not the same people who pay for it. Some subsidies are made directly, through assistance payments or tax credits. Other subsidies are indirect, like the way most states subsidize college students by subsidizing the schools they attend. Gas taxes that pay for public transportation is another example. In the case of education subsidies, the rationale has been that investing in education provided an economic return in the form of a better-trained workforce, and a social return in the form of equalizing access.

    Over time, subsidies and tax credits come to be seen more as entitlement than an investment. In some cases, they are no longer targeted to those who truly need them, or on producing a return on the investment. By re-examining subsidies and tax credits, and eliminating those that no longer produce the desired results, we can redirect those resources to more effective strategies.

    Agency staff and managers should identify the subsidies within activities AND explore the extent to which they still produce the expected results. If not, they could be identified as potential policy recommendations.

10. **Connect every entitlement to an obligation.** Much of our budget is spent on aid payments to other governments, institutions or individuals. Those who receive them often treat these payments as entitlements because there is no explicit obligation expected in return. Welfare reform has shown that adding obligations to entitlements can reduce costs, get people back to work sooner, and free up funding for those in greater need.

Managers and staff should review entitlements within activities and explore ways to explicitly connect payments to an obligation that supports the intended result.

11. **Get a return on capital investments.** Teams that deal with the use of "capital investment" resources should develop mechanisms for ensuring that every investment generates results – in the form of a return on that investment. Among the top priorities for capital should be investments – such as technology systems – designed specifically to make government service delivery better, faster and cheaper. Proposed investments that produce a high return in improved quality or reduced costs should take precedence over those that produce a lower return.

A-6 Glossary

ACCOUNT – A fiscal and accounting entity with a self-balancing set of general ledger codes in which cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, are recorded and segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

ACTIVITY – An activity is something an organization does to accomplish its goals and objectives. An activity consumes resources and produces a product, service or result. One way to define activities is to consider how agency employees describe their jobs to their families and friends. On behalf of the state's citizens, we basically want to know, "What do you do? For whom? Why is it valuable?" For the Activity Inventory, an agency's work should be broken down into its discrete functions or services. An activity description that requires several compound sentences or lists to accurately convey the work probably needs to be divided into several separate activities.

ALLOCATION – Spending authority assigned to an agency from a lump-sum appropriation, most often used for across-the-board salary increases and the Governor's Emergency Fund.

ALLOTMENT – An agency's 24-month spending plan for both appropriated and nonappropriated funds.

APPROPRIATION – A legal authorization to make expenditures and incur obligations for specific purposes from a specific account over a specific time period. Only the Legislature can make appropriations in Washington State.

BALANCED SCORECARD – A management tool that takes elements from the agency strategic plan and organizes the information in a way that focuses attention on key areas and elements needed for successful strategic management.

BIENNIALIZATION – Converting expenditures that occurred for only part of a biennium into the amount needed for a full biennium of implementation.

BIENNIUM (state) – A 24-month fiscal period extending from July 1 of odd-numbered years to June 30 of the next odd-numbered year.

BOWWAVE – The incremental carry-forward costs of programs partially funded in the current biennium.

BUDGET – A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.

BUDGET DEVELOPMENT SYSTEM (BDS) – A web-based application developed as a tool to assist agencies in building all components of the decision package and submitting budget requests on line.

BUDGETED FUNDS – Funds that are subject to the appropriation and/or allotment process.

BUDGET PREPARATION SYSTEM (BPS) – A mainframe computer budget preparation program operated by OFM now largely replaced by the Budget Development System (BDS). BPS1 is the salary projection component of the system and is still used for preparing the Salary, Pension, and Insurance Base reports.

BUSINESS PLAN – A comprehensive plan for all activities of a proprietary fund, including information that allows an understanding of the relationship between the budgeted and unbudgeted elements of the fund. (Refer to the Part 1 Budget Instructions.)

CAPITAL OUTLAYS – Expenditures which result in the acquisition of or addition to fixed assets intended to benefit future periods. In the operating budget, this label typically refers to equipment.

COLLECTIVE BARGAINING – A mutual obligation of the state and of employees' exclusive bargaining representatives to meet and bargain in good faith on wages, hours, and other terms and conditions of employment as defined in Chapter 354, Laws of 2002.

COMPENSATION IMPACT MODEL (CIM) – A financial projection model used by OFM to estimate the effect on state agency budgets of changes in salaries and benefit costs.

DEBT SERVICE FUND – A fund type established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

DEDICATED ACCOUNTS – Dedicated accounts are used to account for the collection and disbursement of specific revenue sources that are legally restricted to expenditure for specified purposes.

EFFICIENCY MEASURE – A measure that shows the relationship between inputs (dollars or FTEs) to output or outcome.

EXPENDITURES – Expenditures represent disbursements plus accruals for the current period. Encumbrances are not included.

FISCAL YEAR (state) – A 12-month period extending from July 1 in one calendar year to June 30 of the next calendar year.

FULL-TIME EQUIVALENT (FTE) – 2,088 hours of paid staff time per fiscal year.

FUND – A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

FUND BALANCE – The excess of the assets of an account over its liabilities and reserves. For governmental funds, fund balance represents the excess of beginning balance and estimated revenues for the period over liabilities, reserves, and appropriations for the period.

FUND CODE – A three character alpha/numeric code assigned by the Office of Financial Management to identify each specific accounting entity against which a transaction is to be charged, plus the one character appropriation type code that indicates the source character of the fund involved. The account code and appropriation type code are separated by a hyphen.

GENERAL FUND – A fund established to account for all financial resources except those required to be accounted for in specific dedicated funds.

GENERAL FUND ACCOUNTS – A group of accounts within the state's fund structure. These accounts within the General Fund are a grouping of accounts normally classified as Special Revenue Funds or Capital Projects Funds but which are considered a part of the total General Fund.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) – Uniform minimum standards of, and guidelines for, financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines but also detailed practices and procedures.

GENERAL OBLIGATION BONDS – Bonds for the payment of which the full faith and credit of the issuing government are pledged.

GOALS – Broad, high-level, issue-oriented statements of an organization's desired future direction or desired state.

GOVERNMENTAL FUNDS – A fund classification established to account for those resources that are devoted to financing the general governmental operations of the state. The acquisition, use, and balance of the state's resources and related current liabilities, unless required to be accounted for in proprietary funds or fiduciary funds, are to be accounted for in this classification of funds. Those funds properly classified as governmental funds are the General Fund, Special Revenue funds, Capital Projects funds, and Debt Service funds.

GOVERNOR'S EMERGENCY FUND – An appropriation made available to the Governor for unforeseen expenditure requirements in state agencies.

INFORMATION TECHNOLOGY – Equipment, software, services, and products used in processing information, office automation, and telecommunications (voice, data, and/or video).

INTERNAL SERVICE FUND – A fund type established to account for the financing of goods or services provided by one state agency to other state agencies or to other governmental units on a cost reimbursement basis.

LOCAL FUNDS – Funds under the control of an agency with cash on deposit in a local bank account and requiring the signature of agency officials on a check for disbursement. Some local funds are on deposit with the State Treasurer as a matter of convenience or statutory requirement.

NONBUDGETED FUNDS – Funds that are not subject to either the appropriation or allotment process.

OBJECT – A common grouping of expenditures made on the basis of homogenous activity, goods or services purchased, or type of resource to be used.

OBJECTIVES – Measurable targets that describe specific results a service or program is expected to accomplish within a given time period.

OFFICIAL ALLOTMENT – The Statement of Proposed Expenditures defined in RCW 43.88.110. This means the original allotment plus a limited number of revisions. The initial allotment can only be modified by legislative changes to the appropriation level, reductions ordered by the Governor due to a cash deficit, or approved one-time changes to the second year (B, L, G, and S amendments).

OFM EXPENDITURE AUTHORITY – The official allotment plus amendments for unanticipated receipts and special allocations.

OUTCOME MEASURE – A measure of the result of a service provided. This type of measure indicates the impact on the problem or issue the service or program was designed to achieve.

OUTPUT MEASURE – An indicator of how much work has been completed.

PERFORMANCE BUDGETING – The act of considering and making funding choices based on desired outcomes. Performance budgeting focuses on the results to be gained through investment decisions.

PERFORMANCE MEASURES – Quantitative indicators of how an agency's programs or services are contributing to the attainment of strategic plan elements.

PROGRAM – Any of the major activities of an agency expressed as a primary function.

PROPRIETARY FUND – A fund classification established to account for those activities of the state that are similar to those found in the private sector. These funds are considered self-supporting in that the services rendered by them are financed through user charges or on a cost reimbursement basis. Those funds, which are properly classified as proprietary funds, are enterprise funds and internal service funds.

RECEIPTS – Unless otherwise qualified, cash received during a fiscal year irrespective of when the monies are earned.

REVENUES – Cash receipts and receivables of a governmental unit derived from taxes and other sources.

RESERVED ALLOTMENT STATUS – The portion of expenditure authority not expected to be used because of circumstances such as the Governor’s across-the-board allotment reductions, technical corrections, or proviso compliance.

REVOLVING FUND – An account provided to carry out a cycle of operations. The amounts expended from the account are restored to the account by earnings from operations or by transfers from other accounts, so that the account is always intact, in the form of cash, receivables, inventory, or other assets.

STRATEGIC PLAN – A long-term comprehensive plan that represents an integrated set of decisions and actions designed to ensure that the intended goals and objectives of an agency are met. The plan should answer: Where are we today? Where do we want to be? How do we intend to close the gap between where we are and where we want to be?

STRATEGIES – Statements of the methods for achieving goals.

SUBOBJECT – A refined breakdown of object of expenditures relating to particular items or item categories.

SUBPROGRAM – A general term describing specific activities within an agency program.

TECHNOLOGY PORTFOLIO – The planning and management process for information technology resources adopted by the Information Services Board.

TREASURY FUNDS – Accounts that have cash on deposit in and under the control of the State Treasurer and are disbursed by means of a warrant.

UNALLOTTED ALLOTMENT STATUS – Expenditure authority not specifically scheduled for expenditure, but expected to be allotted at a later time.

UNANTICIPATED RECEIPTS – Revenue received which has not been appropriated by the Legislature. The Governor has the authority to approve the allotment of such funds within the statutory guidelines of RCW 43.79.270.

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